Strategies for Social Protection 2015

–towards a socially and economically sustainable society

MINISTRY OF SOCIAL AFFAIRS AND HEALTH
Finland

Strategies for Social Protection 2015

BACKGROUND

To the Reader

Social protection must respond rapidly to changes in its operating environment. It must also take responsibility for people's entire lifespan. Over the past fifteen years, the tension between these goals has been stretched to the limit. It was a real test of strength to bring social policy through the maelstrom of the recession and to adapt it to the pressures of internationalization without undermining people's faith in social protection. Looking back, social protection was a strong cohesive force in our society even during those difficult times.

It was necessary to take a critical look at social protection and to cut the costs for the social protection system. The strategy we drew up ten years ago (Sosiaaliturvan strategiat — viisi vuotta 2000-luvulle; 'Strategies for Social Security in Finland — Goals to the Year 2000') was a response to these demands, dictated by economic realities. One of the consequences of rapid economic growth and the cost-cutting programme was that the percentage of social protection expenditure out of GDP fell rapidly from a level of about 35% to the quarter it had been before the recession.

This did not mean our troubles were over, however. We were facing a future where the economic dependency ratio would deteriorate. We took up this challenge in our subsequent strategy, published in 2001. We made promoting health and functional capacity and raising the retirement age our first priorities. Employment among the ageing population was successfully improved and the retirement age began to rise as a result of legislative amendments and improved efficiency for action programmes.

The fundamental lines of the present strategy are no different from those in our strategy of five years ago. The external challenges have not changed, but they have grown: the economic dependency ratio is deteriorating, internationalization is growing and regional and social differences are increasing. Now, after ten years of hard work, we are better prepared to cope with the challenge of an ageing population. Nevertheless, work in this area must continue.

Implementation problems have come to the fore. The policy lines in the strategy cannot easily be put into practice. The more complex the problem at hand, the less effective the administrative action we can take. There are many issues for which legislation is an unnecessarily heavy measure, but recommendations have little effect and the provision of training produces slow change. Inefficient implementation is worst for those in the most vulnerable position, as their problems are also the most complex.

In order to emphasize the importance of practical implementation, we have now moved closer to models for putting the strategy into practice. We are attempting to answer the questions where are we headed, what can we do and how can we do it, not just the traditional strategy question where are we headed. This strategy comes close to an action programme. There are things that need centralized solutions, but there are also things that can only be remedied if the channels of influence from the grassroots upward can be improved. In order to achieve that, we need improved transparency and more information.

This strategy has been drawn up in cooperation by the different departments and experts at the Ministry. The Ministry's leadership group has outlined the preparations. Director of Development *Klaus Halla* was responsible for practical coordination.

Helsinki, May 2006

Markku Lehto
Permanent Secretary

In brief

This report sets down the views of the Ministry of Social Affairs and Health on the strategic areas of focus in Finnish social protection policy over the next few years. The strategy follows the same structure as the preceding strategy up to 2010.

Finland in 2015

Our vision for 2015 is for Finland to be a socially and economically sustainable, efficient and dynamic society. The Finnish social protection system will be based on comprehensive collective responsibility. Finland will also be actively involved in shaping European social policy. The wellbeing of our society will be rooted in the maintenance of work ability and general functional capacity allied to individual initiative.

As envisaged, in 2015 the health differences between population groups will have been reduced, the general functional capacity of the population will have improved, and older people will not need care until a more advanced age. People will be staying in work for an average of three years longer than now, poverty and social exclusion will have been reduced and gender equality will have improved. Preventive work will have taken on a more prominent role in the various functions of society and as part of the service system. The quality, availability and effectiveness of services will have been improved and social income transfers will secure a reasonable income for people while still providing an incentive to work. The regulation of social welfare and health care policy and equality issues is transparent and there is a great deal of information available on these matters.

Reaching for the goal

The Ministry sums up the social protection strategy for the next decade in four strategic lines. These are:

- promoting health and functional capacity
- making work more attractive
- reducing poverty and social exclusion
- providing efficient services and reasonable income security

The fundamental idea is to improve people's health and functional capacity. When work is made more attractive, more people participate in working life. This simultaneously reinforces the importance of work as the basis for social protection. On the other hand, it is the responsibility of a welfare society to ensure that people have a reasonable income and that protection is provided for the socially excluded. It is equally important to ensure access to social welfare and health care services. All these factors promote social cohesion, inclusion and welfare.

The economic impact of the lines

To begin with, social protection expenditure will grow faster than it does at present. At the end of the next decade, this situation will change: there will be a rising employment rate, later retirement, improved functional capacity, reduced social exclusion and a stronger funding base. The growth in social protection expenditure will slow down. Social welfare and health care services and income security become manageable. In order for this to happen, the system must be constantly reformed and adjusted, especially to deal with changes in age structure.

Strategy 2015
– MAIN LINES OF ACTION

Promoting health and functional capacity

- Social policy must support functional capacity and wellbeing.
- Health gaps between population groups must be narrowed.
- The basis for health and social wellbeing must be created in childhood and youth.
- The health and functional capacity of people of working age must be improved.
- New models must be found for boosting the functional capacity of older people.
- People with disabilities must be helped to contribute actively to society.
- There must be a clear emphasis on environmental health.

Making work more attractive

- Wellbeing at work is the focus.
- Gender equality and equal pay must be strengthened in working life.
- Work and family life must be reconciled better than at present.
- The incentive provided by social insurance must be boosted.
- We must ensure sustainable and motivating funding for social insurance.

Reducing poverty and social exclusion

- Prevention is the primary aim.
- We must intervene in the problems of children, young people and families.
- We must support those who are difficult to employ.
- We must guarantee an income for the most vulnerable.
- We must encourage social inclusion among immigrants and ethnic groups.
- Services and prevention work related to substance abuse problems must be boosted.
- The operating potential of NGOs must be strengthened.

Providing efficient services and income security

- The client's status and the quality and availability of services must be safeguarded.
- A broad range of services is the key.
- Services for children must be safeguarded.
- The availability and quality of services for older people must be improved.
- Services must help people with disabilities to live independent lives.
- An adequate supply of skilled labour must be ensured.
- Functional steering models for managing services are needed.
- Service structures must be reformed.
- ICT must be enlisted to support social welfare and health care services.
- The cost-effectiveness of pharmaceutical services must be improved.
- A reasonable level of income security must be ensured.

1 The goals OF REFORM

Good social protection is the cornerstone of contemporary society. Through regulation and redistribution of resources, government seeks to ensure that families, workplaces, local communities, companies and the third sector can help carry their share of responsibility for the wellbeing of all. Functional social protection is part of the sustainable development of a society. It improves social cohesion and buffers the impact of social change.

The purpose of social protection is to promote the health and functional capacity of the population, ensure healthy working and living environments, and secure adequate income and services. As the wellbeing and equality of the population improve, each individual can live in dignity and security and develop and apply their own skills and talents in the different stages of their lives.

Finland in 2015

Our vision for 2015 is for Finland to be a socially and economically sustainable, efficient and dynamic society. The Finnish social protection system will still be based on comprehensive collective responsibility. Changes in the international environment and ratification of international treaties and agreements will have more impact than before on national policy-making. Finland will also be actively involved in shaping European social policy. The wellbeing of our society will be rooted in the maintenance of work ability and general functional capacity allied to individual initiative.

■ The concept of 'social protection' is used in this publication in the broadest sense to include cash benefits, social welfare and health care services, preventive action, occupational health and safety and, in part, gender equality.

Our vision for 2015

- The general functional capacity and social welfare of the population will have improved.
- Health differences between population groups will have been reduced.
- People will be staying on at work for an average of 3 years longer than they do at present.
- Poverty and social exclusion will have been reduced.
- Gender equality will have improved.
- The perspective of promoting health and welfare will have become established in social policy.
- The quality, availability and effectiveness of services will have been improved.
- Income security will ensure a reasonable income for people while still providing an incentive to work.
- Social protection will have a sustainable financing base rooted in collective responsibility supplemented by individual responsibility.

2 The strategic lines – TOWARDS 2015

The Ministry of Social Affairs and Health and its administrative sector are responsible for the planning, preparation, guidance and monitoring of social welfare and health care policy and gender equality policy. The provision of sustainable funding for social protection requires that social welfare and health care policy is constantly reformed. The direction of change can be summed up in four strategic lines:

- promoting health and functional capacity
- making work more attractive
- reducing poverty and social exclusion
- providing efficient services and reasonable income security

This section sets out the objectives under the four strategic lines and describes the main measures needed for their implementation.

Promoting health and functional capacity

The aim is to make social policy as a whole support health and welfare. It is important to establish healthy habits early in life. It is equally important to improve the functional capacity of people of working age, to seek new operating models that can encourage the growing number of older people to live independent lives and to reduce health gaps between population groups. There is a growing emphasis on the importance of a healthy living environment for public health.

Harnessing social policy to support functional capacity and health

The basis for welfare is created in people's own local community. Social welfare and equality are goals in the operation of all sectors of society. This reinforces social cohesion, which also creates a solid foundation for individual health.

Various social policy measures are applied in promoting health and reducing widespread diseases and risk factors. Health will be introduced as a guiding principle of the choices made at different levels of social policy: international cooperation, and on the national, regional and local level. Before decisions are made, their impact on people's health and social welfare will be assessed, and also their gender impact. People will be sup-

ported in maintaining their health and welfare on their own initiative by ensuring that the environment and general circumstances support healthful choices.

Health and welfare, and also lifestyles and health choices, will be increasingly influenced by action at international level. On the European level and as part of international relations, Finland will take into account health and welfare issues. They are part of a sustainable development strategy.

- The Ministry of Social Affairs and Health will take initiatives to reinforce awareness of health and social welfare in all areas of society. The operations will be based on the guidelines issued under the Welfare 2015 programme and the Health 2015 public health programme. Action will focus on reducing risk factors for wide-spread diseases, the prevention of accidents and injuries, and the creation of circumstances that support health. Preparation will also be made for the threat of contagious diseases.

Reducing health gaps between population groups

The general aim is to improve public health. This will also help eliminate health gaps, as the relative position of the most vulnerable population groups improves. Another aim is to reduce the difference in mortality rates between people with different educational backgrounds. Work in reducing health gaps will focus particularly on the groups facing the biggest health risks such as smoking, alcohol and weight problems. . Such problems tend to aggravate poverty and exclusion. The service system should be made more equal and support provided for the municipalities in their work to reduce health gaps.

- A comprehensive action programme for reducing health gaps in Finland will be prepared. Systematic monitoring of health gaps will be introduced.
- Smoking and drinking will be reduced through a focus on structural policy: availability and advertising will be restricted and products will carry warning labels. Taxation will also be used as a way of influencing consumption.

Laying the basis for health and social welfare early in life

An adequate base for lifelong health and functional capacity, and social welfare, is created in childhood and early youth. The first priority is to provide well-timed support for children and young people to secure a healthy and safe development and the welfare of families. Cooperation between home, schools, social welfare and health care services, municipal sports and youth work, NGOs and the media helps improve young people's life management skills. The aim is to promote a healthy, responsible and drug-free lifestyle and encourage inclusion.

It is also important to ensure even more effective early intervention in any disruption of children's physical and socio-emotional development, learning difficulties, living conditions that pose a health risk and actual illnesses. Early intervention against any problems can reduce health gaps and prevent social exclusion.

- Operating methods that support early identification and intervention in the problems of children and young people and their families will be introduced on a broad front. It is important to ensure that social welfare and health care staff have the necessary expertise.
- The functioning of family service net works, health care provision for schoolchildren and students, as well as student welfare will be reinforced, and cooperation will be encouraged among these.

Attention to workforce health and functional capacity

The main aim of health policy for people of working age is to promote work ability and general functional capacity so that people can stay on in working life for 2-3 years longer than at present. Problems that make it difficult to continue to work should be prevented. The emphasis will be on awareness of risk groups, the scale on which they will need services and an optimal focusing of the services. Where working-age people are concerned, it is essential that the demands of work be adapted to people's physical and psychological capacity. Employees' health and functional capacity promote productivity; this is an important resource when workforce numbers begin to decline.

Another aim is that accidental and violent deaths among men must be brought down so as to be above the EU average. In addition to physical, psychological and vocational rehabilitation, there will also be an emphasis on early social rehabilitation. Workplace-level activity and, as a part of it, management and cooperation, are a key to problems with work ability and people's wellbeing at work and their ability to stay on in work. The individual's own responsibility for preserving and improving their own work ability is important.

- Occupational health care will be developed in accordance with the guidelines set down in the Occupational Health 2015 strategy. The quality of working life will be improved by identifying the new stress factors in work and improving the effectiveness of preventive measures taken by occupational health care. Comprehensive occupational health services of a high standard will be ensured for everyone in working life.
- Cooperation between occupational health care and rehabilitation will be boosted in order to reduce sick leave and to ensure timely rehabilitation.
- The health of students, the unemployed, and people outside working life for reasons other than unemployment should also be given adequate attention.

New models for helping older people

In order to improve the functional capacity of older people, the provision of preventive and rehabilitative action will be stepped up, including early intervention and a sufficient variety of activity. People's own initiative should be encouraged in taking exercise, and exercise-based rehabilitation and nutritional information will be provided and social networks reinforced. Services will be offered in the home environment and local community. Motivation and support will be provided for older people in taking responsibility for maintaining their own health and functional capacity. The aim is to improve their functional capacity. A barrier-free, functional and safe home and local environment can help older people to live independently even when their functional capacity is impaired.

The municipalities will be encouraged to step up their cooperation with the third sector and to benefit from their expertise in reinforcing and establishing preventive action, rehabilitation and civic activities. The resources of older people who are healthy and fit will be actively welcomed in voluntary activity in various sectors of society. Attention will also focus on the differences in functional capacity between the sexes.

- Older people's functional capacity and active participation in society will be promoted.
- The potential of new technology to improve the functional capacity of older people and help them live independently will be exploited. The homes of older people will be provided with safe and barrier-free solutions.

Support for the social inclusion of people with disabilities

People with disabilities will be provided with the resources they need to live independent lives and to participate fully in society according to their own strengths. Their independence will be supported by ensuring that their homes are functional and safe and that their local community and working environment are barrier-free and easily accessible in order to enable equal participation in society. The position of disability policy will be reinforced in the various sectors of social policy. The expertise of individual people with disabilities and non-governmental organizations for people with disabilities will be used in planning, decision-making and development operations.

In response to the challenges of improving the functional capacity of people with disabilities, new operating and cooperation models will be brought in, rehabilitation will be developed and socially responsible planning will be improved. The use of assistive devices and technology and of information technology open up new opportunities in education, work and social interaction for people with disabilities.

- The position of people with disabilities and the needs of people with different types of disability will be taken into account in the operations of the different administrative sectors.
- It will be ensured that information technology applications are suitable and functional for people with disabilities.

Clear emphases in environmental health

The aim of environmental health work is to prevent and eliminate environmental health hazards through national and international action. In developing environmental health work, it is important to take into account Finland's special features as a sparsely populated country in the far north. The main aims of environmental health activity are to promote land use and building planning to ensure that a safe and healthy environment is created, and that problems such as noise pollution or emissions from traffic can be minimized.

The control of chemicals rests on the chemicals legislation of the European Union. Research on environmental health issues will be supported in order to provide justification for environmental actions and enable assessment of their effectiveness. Control measures carried out by the municipalities will be made more efficient by making supervision more systematic and by improving reporting and fee systems.

Research will strive to comply with generally accepted ethical, legal and administrative principles and to produce research innovations that are important for public health and useful in practice.

- Cooperation between the various bodies of central government will be improved, especially with a view to drawing up nationwide monitoring programmes. The quality of construction will be improved to prevent damp damage and the resulting microbial hazards and to improve indoor air in buildings. Health hazards and epidemics resulting from foodstuffs and tap water will be further reduced.
- Terms and conditions for using and setting up 'bio-banks' will be established.

Making work more attractive

Work will be made more attractive by promoting wellbeing at work, increasing equality in working life and reconciling the demands of work and family life. A financially sustainable social protection system that provides an incentive to work and ensures a reasonable income can reinforce the importance of work as a stabilizing influence on the funding base of social protection.

Focus on wellbeing at work

Good working conditions will boost productivity and be an important competitive factor. Meaningful work in which the employee's physical and psychological health and safety are ensured is a crucial element for wellbeing and quality of life. Wellbeing at work also contributes to raising the employment rate. Legislation will ensure a good minimum standard for working conditions. This will help prevent absenteeism and disability. The aim is to reduce injuries at work and occupational disease even further. The attractiveness of work must be constantly improved in order to ensure that everyone's first choice and overriding priority is to work.

The primary responsibility for improving working conditions lies with the workplaces themselves. Occupational health and safety, occupational health care and other expert services can all support them in this work. The mental wellbeing of employees is the next big challenge. The operations of the occupational health and safety authorities will focus on the main problems in working life. The purpose of supervision is to ensure that workplaces adopt a systematic safety management system. Occupational health care will help identify any problems at an early stage. The labour market organizations will also play an important part in workplace development. At workplace level, this is primarily a question of knowledge, willingness and skill.

- Networked cooperation in the development of working life will continue. Closer cooperation between occupational health and safety authorities will boost the effectiveness of supervision.
- The capacity of workplaces to apply methods for assessing and preventing work-related stress and psychological presures will be improved. Methods involving early intervention and talking about problems will be developed for use by workplace communities, particularly as a way of preventing mental health problems.

Reinforcing gender equality in working life and equal pay

The inequality between the sexes is seen in working life in, for instance, the fact that women have lower salary levels, women's careers tend to make slower progress and fixed-term employment is more common among women. It is one of the main challenges of gender equality policy to promote equal pay. The aim is to achieve a clear narrowing of the pay gap by 2015. This will require development and harmonization of pay systems, reduced segregation, improved career opportunities for women, assessment of the impact of pay and agreement policy on equality, implementation of gender equality plans and support for reconciling work and family life. The aim is that by the early 2010s, a higher proportion of wage-earners will be working in occupations where the ratio of women to men is equal. Women's participation in management will be increased in the long term.

- The effectiveness of the provisions of the Act on Equality between Women and Men that require promotion of equality and the actions of the equal pay programme will be monitored and regularly assessed.
- Awareness of equality issues in the workplace will be promoted and workplaces will be encouraged to draw up gender equality plans in connection with occupational health and safety inspections.

Better reconciliation of work and family life

Employees' life situations outside work and their impact on people's ability to cope with their work must be taken into account. The reconciliation of work and family life is a constant challenge in workplace development. Awareness will be raised so as to ensure that work communities accept the family obligations of employees. The legislation on family leave will be amended to support employees in taking care of family responsibilities outside work. More flexibility can also be added to working hours for this purpose.

More permanent jobs will be introduced, especially in women-dominated areas of the public sector, in order to reduce the use of fixed-term work. Equality between women and men in both work and family life will be supported by encouraging fathers to use family leave and to generally share the responsibility for the wellbeing of their children and family. Uncertain job prospects and finances make it difficult for people to start a family, and as a result, people often put off having children.

- A more even distribution of family leave between men and women will be encouraged. More information on the use of family leave will be provided in order to encourage fathers to use family leave.

Reinforcing the incentives provided by social insurance

Old-age pensions

Old age pensions and disability pensions are the core of the earnings-related pension system. Early retirement pensions, such as unemployment pension, will be gradually phased out as a result of the 2005 pension reform. Unemployment pension will be replaced primarily by active employment measures.

The average retirement age must be raised further to ensure that part of people's growing lifespan is used for work. Incentives towards this will include a raised accrual rate and a life expectancy coefficient. The latter will be used in order to reduce the cumulative effect of pensions as the average life expectancy rises. The purpose of this is to prevent a situation that will be untenable for the insurance system, i.e. that increasing life expectancy will automatically cause an increase in pension expenditure and place pressure on the pension payment system. People will be able to compensate for the life expectancy coefficient's effect of reducing their pension by staying on at work for longer.

As a result of the pension reform, it is now possible to retire at the age of 63-68 and receive a full pension. As average life expectancy grows, it will be necessary to raise the lower age limit for retirement.

The system of survivors' pensions was created at a time when it was rare for women to go out to work and the income of the family was generally provided by one breadwinner. As it has become common for women to work, too, the role of the survivors' pension has changed and its position in the social protection insurance system should be evaluated. In Sweden, for example, survivors' pensions have been abolished. The position of the

poorest recipients should be secured by reforming the general survivors' pension.

- As average life expectancy grows, retirement age should be gradually moved so that people would retire flexibly between the age of 64 and 70.
- Survivors' pensions will be reformed so as to take into account the insurance principle and the primacy of individual pensions. The poorest recipients of survivors' pensions that are also on old-age pensions will be ensured through the general survivors' pension.
- In order to ensure the consistency of pension schemes, the drafting of pension legislation will be concentrated in the Ministry of Social Affairs and Health.
- National pensions will be raised as permitted by the economic situation in the long-term.

Disability pensions

The percentage of the population that is on disability pensions is high in Finland compared with the other EU member states. The individual early retirement pension as a distinct form of pensions has been abolished and unemployment pensions will be phased out gradually over the next few years. During the past two decades, actual disability pensions were becoming increasingly infrequent in Finland. In the past few years, however, that positive trend has been broken off. There is also a risk that applications for disability pensions may increase over the coming years as early retirement pensions are no longer available.

People's lifelong working careers cannot be extended unless the numbers of people taking disability pensions can be reduced. Unemployment among the ageing also has an impact on the length of working careers. Reasons for disability that are not purely medical are very complex and a way must be found to intervene against the causes for early retirement on a disability pension or unemployment. It is not in the interests of the earnings-related pensions system to be used as a tool for corporate restructuring.

- The tendency to take disability pension will be controlled by improving the efficiency of rehabilitation and care and ensuring better access to them.
- It will be investigated whether disability pensions should be granted on a fixed-term basis more often than is the case at present, and include assessment of a person's potential for returning to work at the end of a specified period.
- People on disability pensions will be encouraged to return to work with fixed-term work tryouts.

Health insurance

The reform of the health insurance system and its funding highlighted the connection between contributions and benefits in accordance with the insurance principle. Earnings-related daily sickness allowance and maternity, paternity and parental allowance together with occupational health care make up the earned income insurance, which is funded by employers and employees. The State funds the minimum benefits. The reform provides an incentive for the payees to pay attention to the reasons for illness and disability. The costs caused by family leave are distributed equally among the employers so that women-dominated sectors are not worse off. After the reform, reimbursement for medical expenses forms its own insurance, funded in equal parts by the State and the insured.

Earned income insurance

- Early intervention will be made more efficient in order to reduce the length of sick leave.
- The medical care insurance will be developed by reforming the reimbursement grounds for the costs of doctors and dentists appointments and examination and treatment.

Medical care insurance

- The grounds for reimbursement of psychotherapy reimbursed by the medical care insurance and supported by the Social Insurance Institution will be reformed, and so will the principles for reimbursement of physiotherapy. At the same time, other development needs in the reimbursement of medical expenses will be studied.
- The management of medical expenses included under the medical care insurance is examined below in the section 'Providing efficient services and income security'.

■ Pharmaceutical cost containment linked to medical care insurance is discussed on page 22 in connection with "Ensuring a reasonable level of income security".

Unemployment security

Unemployment security has a key significance in improving the employment rate. Unemployment security is intended as a form of short-term security to support people actively looking for work and promote the flexibility of the labour market. Training measures, steps to maintain work ability and rehabilitation take priority over unemployment security or early retirement pensions. The labour market potential of an unemployed person deteriorates rapidly as unemployment continues. Active employment policy, an 'in-between' job market for the long-term unemployed, training, unemployment security with a fixed time limit and the elimination of the 'additional payment days' for unemployment security all tend to reduce the duration of unemployment.

Unemployment security will be developed and updated as part of social protection. It will be changed so as to provide more incentive to work: it must always be a priority to work, and it must be profitable. The unemployment security system should be simplified, clarified and it should be transparent and easy to understand for the general public.

- The maximum duration of passive unemployment security will be reduced by adopting active measures that promote employment and by tying the duration of unemployment security to applicants' past working history.
- The age limit that entitles people to the 'additional payment days' for unemployment security will be gradually raised and the 'additional payment days' will be abolished in the long term.
- Unemployment security will be raised in line with the long-term development of the economy.

Voluntary insurance

Personal insurance in Finland rests largely on a statutory system. Private pension insurance and life assurance account only for a small portion of the total insurance cover of the population. Voluntary insurance by private individuals could be increased.

Pensions must ensure an adequate income even in cases where people's careers have been incomplete for various reasons. Society now supports the savings options offered by insurance institutions in the form of pension insurance by making pension contributions partially deductible in taxation. Pension insurance can be used in order to supplement the statutory pension cover. The boundary between private and public responsibilities will be made clearer both in the funding of services and in non-life insurance.

- Savings options that are compatible with statutory social security and supplement it will be encouraged. Encouragement will also be provided for the kind of voluntary pension insurance that is prompted by, for instance, family policy reasons and which will not lead to an early exit from working life. The responsibilities of the private and public sector will be clarified with regard to covering the risks connected with pension security and other forms of social protection.
- The division of responsibility between the private and public sector will be clarified with regard to non-life insurance.
- The transparency of the entire insurance system will be improved.

Ensuring that social insurance has a sustainable funding that provides an incentive

The funding of social insurance in Finland is on a stable and sustainable footing at present. However, the expenditure for social insurance against GDP will rise in the next few years due to rising pension expenditure. Preparation must be made in the funding of social insurance for long-term growth in expenditure; it is important not to short-sightedly lower pension contributions in the next few years even if economic trends would allow it. Finland has increased prefunding for future statutory pension expenditure to a bigger extent than most other EU member states. The proportion of the funding of social protection that comes from the return on pension funds is considerable and it is growing.

The investment policy of pension institutions strives to attain better yield on investments than at present, while still ensuring that pension funds are secure. This means that risk-carrying investments can only be extended at a moderate pace. Jobs on the domestic market are vital for the funding of social protection. It follows that it is important to find out how the pension system can be used to help preserve such jobs and to create more.

There must be enough pension institutions and they must compete with each other in order to keep costs down and keep risks under control. The potential for competition in the field of pension institutions will be expanded. The aim is a pension institutions sector that is more decentralized than it is at present. Effective insurance supervision will ensure that the risks of the insurance and pension system do not grow and that the interests of the insured are safeguarded.

- The risk-carrying investments of pension institutions will be extended at a moderate pace, while still ensuring that pension funds are secure.
- Employer contributions that are not directly employment-related will be gradually abandoned, while emphasizing the importance of the employment development.
- Competition between the employee pension institutions and the transparency of their operations will be promoted. The aim is to create an efficient finance and insurance market.
- It will be ensured that a functional insurance supervision with adequate resources will efficiently supervise the best interests of the insured, the sustainability of the insurance system, and its functioning and competition.

Reducing poverty and social exclusion

Poverty and social exclusion will be reduced by adopting prevention as the primary operating model. New approaches will be applied to the problems of children and young people and their families, the vicious circle of long-term unemployment will be interrupted and the income of those most at risk from poverty will be secured. Effective action will be taken against the escalating substance abuse situation. Social inclusion of immigrants and ethnic groups will be reinforced. The operating potential of NGOs will be improved to enable them to support groups at risk of social exclusion.

Primacy of prevention

The fundamental idea of preventive policy is to take social aspects and responsibility into account in all policy sectors and to focus on early identification of problems. Prevention of problems will be established as a normal aspect of operations. Impact assessment of the social and health effects of decisions should be stepped up in all sectors of social policy. Attention will be paid to the environment that children and young people grow up in to ensure that it supports balanced development.

Child health clinics, daycare centres, schools and workplaces are in a key position in preventive work. Services in support of housing and work to prevent housing districts from becoming segregated are among the common challenges of all administrative areas in preventing social exclusion. The right to a place to live is supported by action from the social welfare and health care services. In order to cut off the vicious circle of exclusion, adequate minimum security must be provided and problems such as excessive indebtedness must be alleviated.

Mental health problems will be prevented through actions aimed at the population at large and at specific known risk groups. The search for solutions to work-related mental health risks will be intensified. The recognition of violence and early intervention against its causes will also be improved.

- A national action plan for mental health and welfare for substance abusers will be drawn up on the basis of experiences from previous national development projects.
- The prevention and treatment of violence will be made more effective by improving the expertise needed for care and the services for different population groups, and also the coordination of different services.

Intervention in the problems of children, young people and families

A precondition for being able to take care of the well-being of children, young people and families is to look at their life situation as a whole. All the psycho-social and health-related aspects of their welfare must be taken into account. Children, young people and families can only be supported and their problems solved efficiently by providing more information and expertise, by changing structures and by adopting active approaches. Preventive work will be used to help people complete each stage of life successfully and to make the transition from one stage to the next successful.

Active intervention will be made in the early stages of social exclusion and exclusion will be cut short at the earliest possible stage. Support will be provided to ensure successful completion of compulsory education, a place in vocational education and successful completion of vocational education, too.

- Specialist staff in social welfare and health care and the educational sector who work with children and young people will be given an extended selection of tools for early intervention. Cooperation among the authorities will be intensified in areas such as early identification of school drop-outs and ways of providing support.
- Systematic intervention will be made against poverty among families with children. The creation of service networks will be supported. Good practices emerging from social sector development projects will be distributed for use by the municipalities.

Support for people who have difficulties finding work

Close cooperation between training and rehabilitation, flexible examination of health problems that prevent older long-term unemployed people from finding work and vocational rehabilitation and a general improvement of the employment potential of people with disabilities will help people find work. Not all of the long-term unemployed can find employment on the open labour market or, indeed, permanent work of any kind. It will be ensured that the unemployed are able to participate in society. The problems of the unemployed will be alleviated by developing and testing models of social employment and models for 'in-between' job markets.

Taxation, social income transfers and earned income will be coordinated in order to reduce structural unemployment, so that the demands that focus on the expertise and work ability of the employed workforce can be relieved. The social services and labour administration will work together in order to provide the most effective intervention against the reasons underlying long-term unemployment and removal of obstacles to finding work.

- Social employment opportunities for the long-term unemployed will be boosted by reinforcing cooperation between employment offices and bodies that offer work. Long-term rehabilitative work experience and social welfare and health care services will be offered as packages.
- Employment opportunities for people with disabilities will be improved, as will their potential for staying on at work. It will be investigated in cooperation with the labour market organizations whether there is potential for developing work and social protection so that they provide more support for people with disabilities in finding work.

Ensuring an income for the most vulnerable people

Much of income security is made up of earnings-related benefits. As a result, the standard of benefits largely follows trends in the level of earnings. Long-term unemployment or a lengthy absence from working life for some other reason means that people become dependent on minimum benefits or the final resort in income security, i.e. social assistance. The oldest retired women are also often dependent on the national pension alone, or on the national pension and a small earnings-related pension. The standard of minimum benefits and the last-resort income security benefits will be retained at a level that guarantees a reasonable standard of living.

- The level of minimum benefits and the final resort in income security will be adjusted so as to prevent poverty and exclusion and to ensure a reasonable standard of living.

Supporting inclusion of immigrants and ethnic groups

The general aim of social policy is to efficiently prevent cultural conflicts and to promote inclusion of ethnic groups. The aim is a stable society where welfare is not linked with cultural background. It is important for the inclusion of ethnic groups and the integration of immigrants that people are able to find work and that they are not discriminated against at work or in school. Measures by the social welfare and health care services support immigrants in living independent lives. Availability of services in people's native languages and access to interpreter services will be improved. Good integration enables employees with immigrant backgrounds to contribute to producing services that take into account the special features of immigrants and promote integration with the majority culture.

- Cooperation between the employment service, social welfare and health care service, education, culture and NGO sectors that support immigrants and ethnic minority groups will be intensified.
- The participation of immigrants and ethnic groups in training and working life will be reinforced. The importance of language skills in the integration of immigrants will be stressed.

Reinforcing the prevention of substance abuse and services for abusers

The rapid growth in alcohol consumption has caused a rise in abuse-related problems and an increased need for services. In Finland, alcohol consumption tends to involve "drinking to get drunk", a behaviour that carries considerable risks in terms of public health and social impact. The aim is to reduce alcohol abuse and drug use among adults and to prevent abuse-related problems. Particular efforts will centre on improving the effectiveness of prevention where alcohol and drug use and experimentation among children and young people is concerned. The aim is that less than 15 per cent of 16-18-year-olds would smoke and that alcohol and drug use should not rise above the level of the 1990s. The retail monopoly on alcohol will be retained as a means to control the availability of alcohol.

- Prevention and the availability of welfare services for abusers will be improved and care services will be expanded to cater to the existing need. More low-threshold care services and detoxification treatment will be provided.
- Mini-interventions for people who have a high consumption of alcohol will be established as standard practice in primary health care and occupational health care.

Reinforcing the operating potential of NGOs

Civic activity is an important factor that promotes welfare. Non-governmental organizations (NGOs) make a considerable contribution in providing support and services needed by the groups that are worst off and for groups that 'fall in between services'. The third sector is also a key player in preventive work and in applying new models in the municipalities. Long-term funding is needed in order to secure the operations of NGOs. The Finnish model of providing support and funding for social welfare and health care organizations has proved to work well. In order to retain this national funding model, it is important to reinforce the grounds that justify maintaining national exclusive rights in gambling.

Funds will be allocated from the resources of the Finnish Slot Machine Association in a long-term perspective to non-profit associations for the promotion of health and social welfare. Support will also secure the operating potential of these organizations.

- Cooperation between the municipalities and the third sector will be intensified in peer support and voluntary work. The use of monitoring and evaluation data in the focusing of project funding and planning of aid projects will be reinforced. The impact of development work by NGOs will be improved.
- Gambling addictions and gambling related problems will be reduced, new types of addiction brought by new technologies recognized and treatment for these conditions will be improved. Preventive action will be targeted so as to reduce concentration in gambling consuming and ensure that people get involved in gambling at a later age.

Providing efficient services and reasonable income security

A functioning service system of high quality is ensured by client focus, a variety of good services, adequate services for older people and adequate numbers of highly skilled staff. A functional guidance model and regional cooperation are required in order to safeguard equal treatment of citizens in different regions. Extensive use of new information and communications technology is helpful in this respect. Adequate minimum benefits ensure a reasonable income for everyone.

Securing the client's position and the quality and availability of services

The quality and availability of social welfare and health care services will be secured throughout the country by strengthening the clients' position and defining the municipalities' duties for providing services in more detail. Effective use of research findings improves the effect of care and the matching of provision with need. Appropriate services, treatment and access to care within a reasonable period of time will be ensured through compliance with the regulations and recommendations on services and care. Quality recommendations for services can be used by municipalities and other service providers. Information on the availability of services will be offered to citizens. Private services will be required to maintain at least the same quality standards as municipal services.

The need for services and coordination of services will be investigated through extensive evaluation of service needs and individual care, service and rehabilitation plans drawn up in cooperation with the client. In connection with evaluation, agreement will be reached on the division of labour between the service providers. Opportunities for clients and their families to take part in the planning of care and treatment arrangements will be secured. Well-made plans will ensure that treatment is of a high standard and tailored to individual needs, as well as effective and efficient. It will be emphasized that plans are binding. People's own initiative and self-care will be encouraged by providing information on health, health care services and self-care.

Quality work will be integrated into the normal operating procedures of service organizations. This will include work to improve patient safety. Evaluation and feedback by clients/patients will be given a more important position in service quality evaluation.

- The position of groups that do not get enough services will be secured. Clients will be given more influence in choosing their care facility. Monitoring will be pursued in order to ensure that people are given care within the time-limits set. The position of psychiatric patients, people with substance abuse problems and the chronically ill will be improved and they will be given better access to outpatient care.
- Operations will be based on care programmes and quality recommendations. Introduction of such programmes will be evaluated and promoted. National guidelines for patient safety will be introduced.
- It will be ensured that people have access to social welfare services within a reasonable time. The reform of social welfare legislation will continue by establishing time limits for access to key services.

A broad range of services the key

Tax-funded municipal services are the mainstay of social welfare and health care services and are available to all regardless of social position or economic circumstances. Health centres are part of the primary services and they are the foundation of health care provision. Private social welfare and health care services supplement municipal services and offer an alternative. Private services are produced by private companies and the third sector. Provider-purchaser models can be introduced in services that have a functioning market and where services can be turned into rational products, and this is in the interests of clients.

Public funding channels will be developed so as not to cause undue supply or demand for services, and do not make it possible to unduly transfer the responsibility for care or costs to another funding channel. The funding for social welfare and health care services will be developed with a basis in tax funding so that the fee system supports the social policy aims set for social welfare services and health care.

- The division of labour between private and public social welfare and health care services will be clarified and cooperation made more effective so that the services form a functional entity.
- Cooperation between various actors will be used to improve the municipalities' expertise in acquiring services from the private and third sectors in a way which secures the quality of services.

Securing services for children

Child health clinics, financial support for care for small children, and schools form a primary service system for supporting child wellbeing and development. The primary services can also be used for focusing intensive support for families at the earliest possible stage of difficult situations. The functioning and quality of services requires adequate personnel and resources and development of the quality of operations. They will be maintained as local services. The role of families as clients using the services and as the experts on their own children will be reinforced and used as an advantage.

The operating district of special services for families with children can be local or bigger, usually comprising a region or province.

- Home help services will be restored to a preventive primary service intended for families with children, too. The operating requirements for child health clinics, school health care and child welfare will be secured.
- Family services will be networked locally and regionally in the form of family centres so as to support the wellbeing of families with children.

Improving the availability and quality of services for older people

The availability and quality of services for older people will be ensured by adding to the resources available for the services as the number of older people grows. The emphasis is on services provided at home and in the local community. Care and rehabilitation services must be adequate, well-timed and relevant.

The equality of all older people in terms of access to services will be improved by making service needs assessment more extensive and harmonized. A preventive and rehabilitative approach will be systematically introduced in all services. Care practices will be reformed to make them client-focused, activating and multiprofessional. The functional capacity of an older person, his or her own resources and social network will always be taken into account in providing services. The municipalities and third sector actors will support families in helping their elderly relatives and in coping with the task.

The seamless service chain of primary health care, specialized medical care and social welfare services will be improved further. Social welfare and health care services of a high standard in community care and interval care (short-term care) can enable elderly people to live at home even if they suffer from dementia. Service provision in people's first language will be ensured. Alternative models will be created for the arrangement and funding of home services and care services.

- The use of functional capacity indicators will be developed as an aid in assessing older people's service needs and planning the provision of services and also for the monitoring of service quality.
- Social welfare and health care services form a functional entity, and the provision of home services for older people will be increased as a part of this. Older people will be given support in living at home for as long as possible, with a flexible transition to more intensive forms of care. The geriatric expertise of staff in the sector will be boosted.

Services to support the independence of people with disabilities

The aim is that general services should be adapted to the needs of people with disabilities as far as possible. Special services ensure the equality of people with disabilities. Municipalities and joint municipal boards will be activated, guided and supported in developing housing and service solutions that are more individualized and replace institutional care. More housing suitable for people with disabilities and more staff for housing units are needed to make the move from institutional care to more individual housing in the local community possible. The focus for developing services for people with disabilities is on expanding the use of personal assistance and interpreter services.

Work will be done to foster knowledge and awareness of disabilities. Attention will be paid to people with disabilities as unique individuals and the special needs of people with different types of disability. Service guidance will provide help for people with disabilities in using services and support measures and services will be assembled into packages according to people's individual needs. It will be ensured that there is an adequate population base for providing services for people with disabilities.

- Legislation will be developed to improve the potential for giving people with disabilities personal assistance, and to provide people with severe speech and hearing disabilities with interpreter services.
- A national action programme concerning housing and related services for people with severe disabilities will be drawn up.

Securing an adequate supply of skilled labour

Quality services for clients are secured by an adequate supply of highly skilled staff in the social welfare and health care services. Personnel and skills structures will be developed so as to correspond to client needs and staff duties. Staff numbers will be optimized in relation to the functional capacity and service needs of clients and patients.

Good and efficient services require comprehensive basic and special knowledge from staff. It will be ensured that the municipalities have adequate management expertise in the social welfare and health care sector at their disposal for the planning and development of the service system, decision-making and evaluation of the effectiveness of operations.

Clients and patients that demand individual services, changing problems and the use of new technology all demand new types of expertise, operating models and working practices. Employees are supported in updating their occupational skills and developing their work through regular statutory supplementary training. The ability of employees and workplace communities to function in a multicultural environment will be improved and support will be provided for the integration of foreign workers in workplace communities in the social welfare and health care sector.

- Training will be provided and working conditions will be developed so that labour is available and willing to work in the social welfare and health care sector.
- Guidance for the municipalities will be intensified by adopting recommendations for the staffing and personnel structure in the social welfare services.

Functional steering models for managing services

The transparency and manageability of government steering will be improved. The four-year Target and Action Plan for Social Welfare and Health Care will be reformed and turned into a national development programme for social welfare and health care. It will provide steering for the implementation of the social welfare and health care reforms set down in the Government Programme. The funding for development projects will be linked with the aims of the programme. The programme will be prepared and implemented together by actors in the social welfare and health care sector and stakeholder groups, particularly the municipalities. The programme will contain a plan for steering measures by the various authorities of the government central and regional administration. Focus areas for supervision of social welfare and health care will be included in the programme.

Quality control of social welfare and health care services will emphasise advance supervision and advice, guidance and monitoring information given to the service providers. This will allow advance intervention in problems with service content and quality. The duties and division of labour between the Provincial State Office and municipalities with regard to supervision will be made clearer and supervision methods will be harmonized and made more specific.

The structure of legislation in the social welfare and health care sector will be reformed with an emphasis on promoting the health and functional capacity of the population and securing adequate services.

- The regulations concerning the Target and Action Plan for Social Welfare and Health Care and funding for development projects will be adjusted to permit adoption of the new national development programme for social welfare and health care and a reformed practice of granting state aid in 2008.
- The structure of the legislation concerning social welfare and health care services will be gradually reformed so as to put an emphasis on securing the availability and quality of services. With a view to reinforcing public health work the Primary Health Care Act and the Act on Specialized Medical Care will be combined. The Social Welfare Act will be revised with special attention to services for older people.

Reforming service structures

The organization of the social welfare and health care services that is the responsibility of the municipalities is a key aspect of the municipal and service structure reform. Social welfare and health care structures provide the framework for ensuring equal and adequate services and other social welfare and health care provision for the population in a changing operating environment.

A functional service structure is a key requirement for securing the promotion of social welfare and health, or effective service provision and for improved effectiveness of services. Regional structures are needed in order to provide social welfare ad health care services that require a wide population base. Regional structures will take into account both service arrangement and the promotion of health, functional capacity and social safety.

Health and wellbeing are influenced by operations other than those of the social welfare and health care sector. Structural solutions will take into account the need for cooperation with various functions in the municipal sector and between central and local government sectors. Regional cooperation structures gather together social welfare and health care duties while making sure that primary health care and specialized medical care are turned into a functional entity. The regional structure and its funding system will help support the balancing of municipalities' responsibilities for financing and providing social welfare and health care services.

Operational reforms will be emphasized in connection with structural reforms. The former include redistribution of work among the staff, flexible combination of local services and regional consultation, adoption of efficient operating models and the introduction of working methods that improve staff skills.

- Equal access to social welfare and health care services throughout the country will be secured through the service structure reform.

Information and communications technology in support of social welfare and health care services

Information and communications technology enables efficient management of client information and process management using real-time data. They can help improve the position of citizens by giving everyone access to reliable information on health, welfare and the service system, and by offering citizens the option of managing their own information and performing transactions with the service system in a flexible way. Information systems and electronic transactions help keep clients better informed than hitherto and support people in coping.

Achievement of the goals by 2015 presupposes intensified guidance by the authorities as well as a nationwide information systems architecture meeting the demands of data protection and information security.

In order to utilize information technology systematically and in a controlled manner, national guidance must be provided. When adopting information technology application, social welfare and health care organizations must have support from up-to-date legislation, nationwide directions and information systems services on the national level. Information technology provides the best support for the productivity of the service system when joint standards and applications that are compatible on a national level are used. These support service process reform. In order to attain the aims set in this area by 2015, guidance by the authorities will have to be intensified and a nationwide information systems architecture in compliance with the demands of data protection and information security will have to be introduced.

- A nationwide information systems architecture for social welfare and health care will be implemented under the lead of the Ministry of Social Affairs and Health.

Improving the cost-effectiveness of pharmaceutical services

Medicinal treatment is an essential part of health care today and the importance of pharmacotherapy will continue to grow. Pharmaceuticals costs in outpatient care come to over two billion euros per year. The aim is to limit the annual growth of pharmaceuticals costs to a maximum of five per cent in 2008-2011. The cost-effectiveness of pharmacotherapy can be improved considerably. This can be achieved by promoting rational prescription and use of pharmaceuticals and by boosting price competition between pharmaceuticals manufacturers. The therapeutic value of the pharmaceutical in question will be taken more into account in the price on which reimbursement of medicine costs is based.

The subsidy system for small pharmacies that has been implemented through apothecary fees and the price list for medicines will be reformed so that it does not raise the retail price of pharmaceuticals. The pharmacy system will be reformed so as to secure nationwide pharmaceuticals distribution and the information on medicines that pharmacies provide for medicine users.

The cost-effectiveness of pharmacotherapy and pharmaceuticals distribution will be improved. The problems involved in the present two-channel funding of pharmacotherapy will be solved so that the responsibilities of municipal health care in relation to pharmacotherapy financed by health insurance are as clear as possible. Appropriate pharmacotherapy will be secured for patients in outpatient and institutional care.

- Functioning pharmaceutical services will be secured for the whole country. Guidance for pharmacotherapy will ensure that it is medically justified and appropriate in terms of costs in all situations.
- Incentives will be created to encourage rational and cost-effective prescrition practices. A system of reimbursement for medicine costs will be created that will promote appropriate practices from the point of view of treatment.

Ensuring a reasonable level of income security

The purpose of earnings-related income security is to ensure a reasonable level of income for the employed in the case of loss of income or excessive expenses incurred due to illness, disability, unemployment, injury, old age, the loss of a spouse or birth of a child.

Minimum benefits ensure a reasonable level of income for people who have no earned income. A reasonable level of minimum security helps fend off the threat of poverty in the long term. Social assistance is the last-resort benefit.

Cost incurred from having children are offset through family policy income transfers between families with children and households with no children. At the same time, support is provided for parents to choose the child-care option that suits them best.

- Income security and taxation will be developed so as to always provide an incentive to work, and so that even people with an impaired work capacity can participate in working life.
- The coordination of family policy benefits and other benefits will be made clearer. The benefits follow the general trends in the standard of living. The freedom of choice of families with children in regard to child care will be secured through a balanced development of benefit and service alternatives.

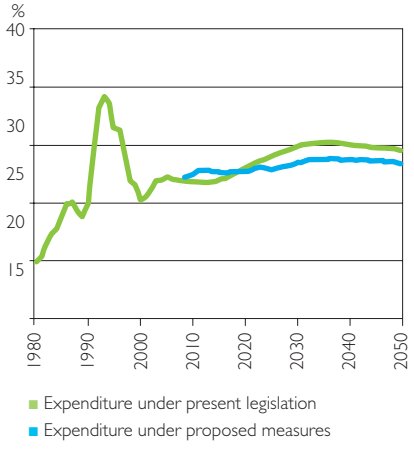
3 The economic impact of THE STRATEGIC LINES

The measures in accordance with the strategic lines will make Finnish society better prepared to face changes in the operating environment. The measures proposed in this strategy support the goal of attaining a 75 per cent employment rate. Improvements in public health and the functional capacity of older people will reduce the age-related demand for care. The reduction of unemployment and the older age of retirement will ease the growth pressure on social protection expenditure and improve overall production.

The proposed measures could hold social protection expenditure at under 30 per cent of GDP for the forecast period. Achievement of this objective will, however, require an earlier start to working life, later retirement, a rise in the employment rate, and postponement of the need for care services as people live longer and old people stay fitter to an older age. It is particularly important to reinforce problem prevention as part of social welfare and health care policy and to encourage people in taking responsibility for their own health themselves. The resources used for preventive action will be regained with interest in the longer term.

The economic assumptions applied in Figure 1 are the same as those used in calculating the basic scenario for social protection expenditure presented in section 5.4 below. In the development scenario presented there, the increased resources for social welfare and health care services and rehabilitation have been taken into account, as have the index raises of income security benefits. In the early years, additional investment will raise the level of expenditure. Around 2015 this situation will change as the growth in social protection expenditure slows down to less than it would be under present legislation.

Figure 1.
Estimate of the impact of the strategic lines on social protection expenditure, social protection expenditure as a proportion of GDP



Source: Ministry of Social Affairs and Health

BACKGROUND

4 Implementation of the goals set in 2001

The report from 2001 set goals for 2010. This section briefly evaluates the implementation of each goal halfway through the strategy period in 2005.

People will be staying on at work for 2-3 years longer than they do at present.

Evaluation: The legislation on unemployment security, early retirement and earnings-related pensions was reformed, largely in line with the strategy. The earnings-related pensions reform which will enter into force by degrees, starting as of the beginning of 2005, will provide an incentive for staying at work longer. The employment rates among the ageing and among young people have improved. The employment rate of 60-64-year-olds in particular improved from 2004 to 2005, but so did that of 65 and 67-year-olds. According to a long-term forecast by the Finnish Institute for Pensions, the retirement age will rise by about a year by 2010. The stricter terms for early retirement have helped raise the workforce participation rate. A monitoring report on occupational safety and health strategy evaluated improvements in working conditions and occupational safety and health. The results showed that working conditions have improved. Extensive action programmes have been implemented to make work more attractive.

The general functional capacity of the population will have improved and older people will not need care until a more advanced age.

Evaluation: Life expectancy has improved further, and years of unimpaired functional capacity have also risen. The health of people of working age has improved, although the trend for men is not as favourable as that for women. Despite these positive development, the number of people taking disability pensions remains high; mental health problems are a growing background factor in this. However, there were fewer people taking disability pensions in 2004 than in the previous year. Older people's functional capacity continues to improve, and more people aged 75-84 are now able to get around by themselves. The percentage of people aged 75-84 and over 85 who live at home remains relatively stable. The need for care seems to be postponed until a later age for younger age groups.

Health differences between population groups will have been reduced.

Evaluation: Despite the general improvement in public health, the health differences between population groups have not decreased. The health of the higher socio-economic groups has improved faster than that of other groups. The difference in life expectancy between women and men has narrowed somewhat, but there is still a considerable difference by international comparison. Health differences are explained by factors such as tobacco, alcohol and socio-economic factors. Weight problems, a growth in alcohol consumption and a lack of exercise are threatening to undermine the positive trend. Weight problems are a risk factor for adult-type diabetes. There are far more people suffering from adult-type diabetes than was previously estimated and numbers are growing rapidly. Social exclusion is also a risk factor in the general positive development of public health. Life styles and living conditions are among the factors that influence differences in mortality rates.

Preventive action will have become established as a normal aspect of operations.

Evaluation: Good results have been reached in the prevention of many diseases. Suicides have clearly gone down in the long term. Smoking has been reduced through stricter regulation and through a general shift in public opinion that is now unfavourable to smoking. Several programmes that emphasize preventive policy are currently underway. Preventive action is also emphasized in occupational health care, including changes in regulations. Preventive home visits to elderly people have started in about 100 Finnish municipalities. A nationwide programme has been started to encourage elderly people to take exercise. The work to establish support and early intervention methods as part of professional standard practice has become more efficient. Despite the many advances in this area, the surveys of child health clinics and health centres in 2005 showed that the standard of preventive services has fallen in many municipalities. Many policy decisions have tended to undermine preventive work; examples include the decision to lower tax on alcohol in 2004, something which caused a rise in alcohol consumption and alcohol-related problems.

The quality and availability of services will have been improved through increasing regional cooperation.

Evaluation: Extensive programmes in the service sector have reinforced regional cooperation. The reform of access to non-emergency medical care that entered into force on 1 March 2005 as part of the National Health Care Project has reduced the number of patients in queues considerably. As the project started in October 2002, there were about 66,000 people in queues, compared with only an estimated 5,000 in June 2006. The goals have been attained. There were, however, considerable differences between hospital districts in the reduction of queues. The criteria for care have also been reformed. The quality barometer for public services shows that the public gives high marks to municipal daycare but less good marks to health care services. Vacancies at health centres and dental clinics that cannot be filled have been a problem for small municipalities. There is a shortage of social workers in the biggest municipalities in southern and western Finland and in small municipalities in eastern and northern Finland. Central government transfers to social welfare and health care services have been increased. The goal for the coverage of home help services for the elderly has not been reached, but the staff numbers in institutional care have improved. The municipal and service structure project which started in 2005 emphasises regional cooperation. The aim of the Development Project for Social Services is to ensure the availability and quality of social welfare services all over Finland.

Income security will ensure a reasonable income for people while still providing an incentive to work.

Evaluation: The minimum benefits have been raised. Family policy benefits have also been raised but their real value is nevertheless lagging behind the general income trend. The elimination of the housing costs deductible from the social assistance in autumn 2006 will improve the position of the households in the weakest financial position. Several actions are being planned for people who have difficulties finding work. A reduction of employer contributions has been applied in order to encourage people to hire older people and people with low employability. The improved employment rate and the raised minimum benefits have reduced the need for social assistance. The funding reform for labour market support provides an incentive for the municipalities to find work for the long-term unemployed.

Social protection will have a sustainable financing base rooted in collective responsibility supplemented by individual responsibility.

Evaluation: The financial sustainability of the Finnish pensions system has been considered an advantage in international evaluation. The 2005 pension reform will control the need for raising earnings-related pension contributions in the future. The clarity and sustainability of the funding of social insurance will be improved by the health insurance funding reform that entered into force from the beginning of 2006; in it, health insurance was split up into medical care insurance and earned income insurance. Where health insurance expenditure is concerned, it is crucial that the rise in pharmaceuticals expenses can be controlled. The generic substitution reform and a reduction in the wholesale price of pharmaceuticals have helped stem the rise in pharmaceuticals costs. The sustainability of the funding can be improved by increasing the responsibility of the insured for funding.

Poverty in Finland will remain at the low level of the last few decades.

Evaluation: Finland still has one of the lowest poverty rates of the European Union, even if it grew slightly in 2001-2004. High structural unemployment is a problem. The numbers of homeless and long-term unemployed have fallen from the peak of the recession in the early 1990s, and the need for social assistance has fallen as a result. However, the vicious circle of social exclusion has become ever harder to stop as a result of longer-lasting unemployment and income problems. The gap between the demands of working life and the workability of the socially excluded has grown. The most important projects for reducing exclusion have consisted of broad-based programmes, measures designed to help people enter the labour market, social employment, reduction of homelessness, early intervention in the problems of children and young people, support for the integration of immigrants, the implementation of anti-alcohol and drugs programmes and crime prevention.

Overall evaluation: Developments have largely progressed in accordance with the goals set. The data for the implementation of most of the goals does not allow for far-reaching conclusions. Results from the early stages of the pension reform are encouraging. Several extensive programmes — particularly the National Health Care Project — are implementing the goals. The general development of working conditions has been positive. Many amendments have been made to employment legislation and these will encourage favourable developments. The biggest problems involve the efforts to reduce the health differences between population groups, reinforcing the preventive approach, boosting incentives and regional cooperation. The rise in alcohol consumption, weight problems and mental health problems are threatening to undermine the favourable general impression of public health. The growing need for child welfare action is a cause for concern where families with children are concerned. There is room for improvement in the volume and quality of services for the older people. The most difficult issue for exclusion is that people now need social assistance for increasing periods of time.

5 Background to the strategic lines

5.1 Principles for the development of social protection

Starting points

The reform of Finnish social protection rests on the following principles:

- The coverage of Finnish social protection will be maintained at the present good level and the quality of services and level of benefits will be improved
- Incentives will be provided to encourage people to find work, people's functional capacity will be improved and initiative will be encouraged
- The equality between the sexes and between generations will be improved and the cohesion between different regions and population groups will be improved
- The responsibility for arranging social protection and the responsibility for financing it must be clearly defined
- The financing base must be retained sustainable

The framework of reform

Section 19 of the Constitution of Finland guarantees the right to indispensable subsistence and care for those who cannot themselves obtain the means necessary for a life of dignity. The right to basic income security is guaranteed for everyone in the event of unemployment, illness, disability, old age, at the birth of a child or in the event of the loss of a provider, as provided for in detail under separate legislation. The public authorities are also obliged to guarantee adequate social, health care and medical services for all and to promote the health of the population. Paragraph 3 accords constitutional protection to the welfare of children and their right to personal development. The Constitution also contains a section (section 18) on the protection of labour force, while section 6 provides for the equality of the individual.

The Nordic welfare state model will continue to provide the general framework for the reforms to the Finnish social protection system in the years ahead. Finland's good competitiveness relies on a clear division of labour between economic, labour, social and education policy and on cooperation between these sectors, broad-based agreement on the goals and an ability to implement decisions made. Social protection reinforces equality between the sexes and solidarity between generations. The Finnish social protection model appears well equipped economically, politically and socially to survive the ongoing changes in the operating environment in the medium term, as the population ages and the economy becomes more globalized. It supports a controlled transition to the information society and sustainable development.

The system of social protection is a productive factor. It softens the process of adjusting to changes in the economic and social environment, brings stability in the midst of social change, encourages lifelong learning and active ageing, and reinforces social cohesion by providing security at the times in their lives when people are most vulnerable. In helping to reconcile the demands of a career with family life, social protection raises the general level of wellbeing in society.

Besides the national level, social welfare and health care policy also has another context in Finland's membership of the European Union, the Council of Europe, international commitments and cooperation with international bodies. The main international partners are the United Nations and its conventions related to human rights and socially sustainable development, the World Health Organization (WHO), the International Labour Organization (ILO) and Nordic cooperation under the auspices of the Nordic Council of Ministers. In many areas of social protection, EU legislation is now part of Finland's national legislation, while social policy in Finland and other EU member states is set against the global background of the international human rights conventions, and global processes in support of socially sustainable development. Rulings by the European Court of Human Rights, subject to the Council of Europe, and the European Court of Justice also have an impact in shaping national legislation.

European Union guidelines

The social dimension of the European Union has changed rapidly. Various political processes and implementation of legislation on the common market and competition all have an impact on social welfare and health policy guidelines and the setting of goals at EU level and in the member states. This is because social welfare and health care policy is linked with areas such as competition, economic, employment, regional and structural policy, all of which have an increasingly clear EU dimension. Particularly improvement of the functioning of the common market and implementation of competition legislation are creating a new setting for national social welfare and health care services. Furthermore, the European Court of Justice has redefined the interfaces between the market and social protection in such a way that referring to the proportionality principle and the subsidiarity principle in social protection no longer always carries credibility.

The European Union has given considerable attention to reforming social protection. According to a definition by the European Council, the European social model is based on good economic performance and a high standard of social protection, training and dialogue between the social partners. Different policy segments of the Union are working on issues such as the sustainability of social protection systems and their incentives and questions involving gender equality and discrimination. In the field of occupational health and safety, national development work is based on the Community strategy on health and safety at work 2002-2006. It will be revised in cooperation between the member states. The importance of the European Union in the administrative sphere of the Ministry of Social Affairs and Health will continue to grow.

Finland's goal is for a European welfare model which is both competitive and legitimate from the point of view of the ordinary citizen. This will require a careful equilibrium between the economic, employment, competition, social welfare and health policy dimensions, both within the Union and on global forums. From Finland's perspective it is important to actively influence political processes and legislation initiatives in the European Union in order to secure the preconditions for our social welfare and its development potential.

Support for the lines from research and development

The aim of research and development policy is to manage and coordinate the production of research findings that can be used and applied in decision-making (the preparation and implementation of legislation, various programmes and projects, and other decision-making on the ministerial level). Research and development operations emphasize the production and introduction of social innovations and improved social impact and utilization potential.

Research and development within the administrative sector is a management tool and a condition for attaining the strategic goals. Research and development policy supports strategic decision-making, preparation of legislation and budgets and their implementation and information management. The Ministry's potential for utilizing research and development projects will be improved.

The research and development policy for the Ministry's administrative sector requires extensive cooperation between different organizations, careful prioritisation of research and development themes, and clear focusing of research and development funding on the themes in question and on bigger theme areas.

The need to develop cooperation and networked operating models in research and development work is growing. In addition to a multidisciplinary research approach, the emphasis is on the quality and credibility of research, particularly in an international competitive environment. The challenges and opportunities that come with membership of the European Union now steer the development of research and development institutions more forcefully than before. They require growing international cooperation.

Making research and development operations more international is a justified aim to the extent that it supports strategic aims that are important for decision-making and the development of social welfare and health care policy. These are outlined in strategy-level planning documents and in the Government Programme and other policy documents.

Research and development policy relies primarily on the research and development units that are subject to the Ministry (sectoral research institutions) and other research and development units in the field. The position of the sectoral research institutions in research and development policy and operations will be made clearer. The provision for providing municipalities with expert help for development work will be improved; the social and welfare centres of expertise could be used for this. Expert support from the National Research and Development Centre for Welfare and Health (STAKES) and other sectoral research institutions is available for development work in the regions.

The Ministry will promote cooperation between research institutions specializing in different approaches in multidisciplinary themes. Particular attention will focus on research on the funding of social welfare and health care policy and social insurance.

Performance guidance of research institutions within the Ministry of Social Affairs and Health's administrative sphere will be made more efficient and research will be focused in accordance with the strategic lines. For the purposes of performance guidance, the Ministry must possess adequate expertise in research in its field.

Open information provision

A networked mode of operation and partnership between the various bodies involved can only succeed when supported by information provision that is pre-emptive, open and well-timed. Up-to-date information about planned reforms is essential so that partners, stakeholders and the general public can follow preparations and decision-making and participate in them.

The aim is to make operation more open and improve information provision in the administrative sector as a whole. This will be facilitated by a clear division of labour and the potential of new technology. The division of labour in providing information to the public will be made clearer. Special emphasis will be placed on work with stakeholder groups and on cooperation with the Ministry's stakeholders on matters concerning communications and information provision.

Social protection today

Figure 2.
Social expenditure in proportion to GDP in EU member states in 2003

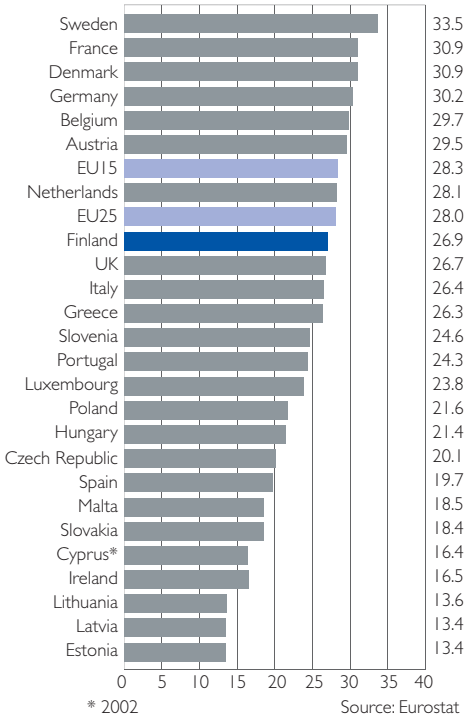
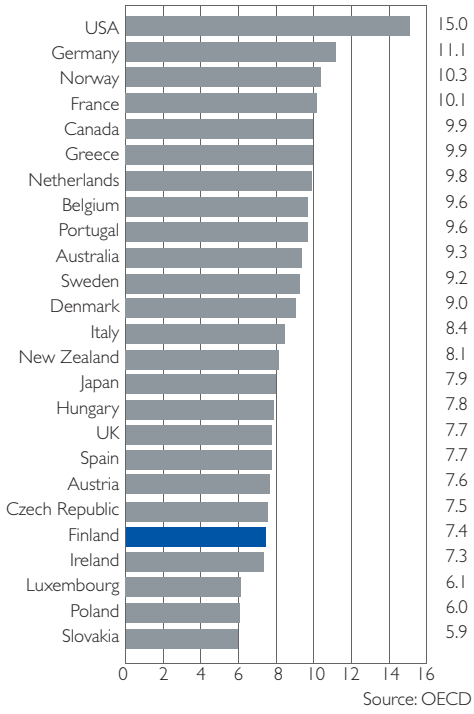


Figure 3.
Total health care expenditure in some OECD states in 2003

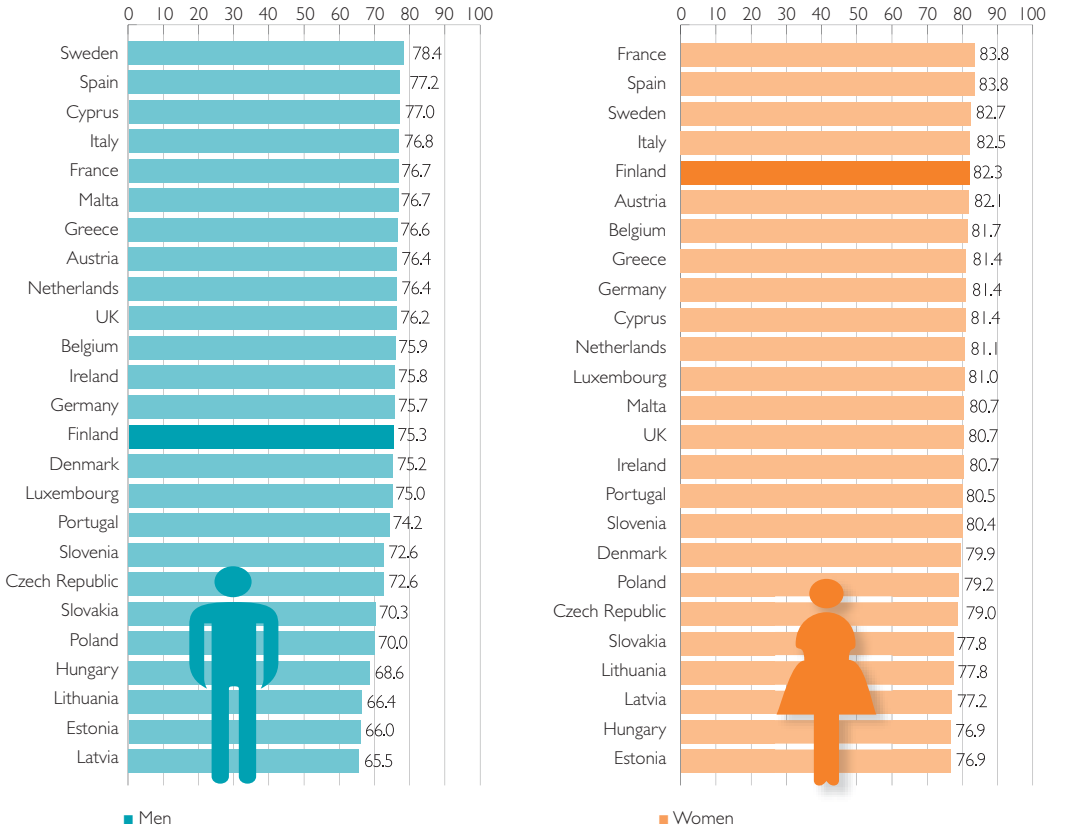


	Public sector	Emplo-yers	Insured	Property income	Total
Denmark	63.0	9.7	20.7	6.7	100
Ireland	61.7	22.8	13.9	1.6	100
Poland	50.1	26.5	23.0	0.3	100
UK	49.5	32.7	16.2	1.6	100
Sweden	48.8	40.6	8.8	1.8	100
Luxembourg	44.5	27.3	24.2	3.9	100
Finland	**44.3**	**39.0**	**10.9**	**5.7**	**100**
Portugal	40.0	33.4	16.9	9.7	100
Italy	39.8	43.7	14.9	1.6	100
Lithuania	38.8	54.6	6.1	0.4	100
Hungary	34.8	43.5	14.9	6.9	100
Germany	34.6	36.3	27.5	1.7	100
Austria	34.5	37.6	26.2	1.7	100
Slovenia	31.5	27.3	39.9	1.3	100
Slovakia	30.2	49.3	19.2	1.3	100
France	29.7	46.1	20.9	3.2	100
Greece	29.6	37.5	23.5	9.4	100
Malta	29.4	46.5	20.7	3.4	100
Latvia	28.9	52.1	19.0	0.0	100
Spain	28.4	52.3	16.4	2.8	100
Belgium	25.7	50.1	21.9	2.4	100
Czech Republic	23.4	50.9	24.5	1.2	100
Estonia	20.1	79.2	0.6	0.1	100
Netherlands	19.4	32.8	34.7	13.1	100

Table 1.
Financing of social protection in EU member states in 2003, %

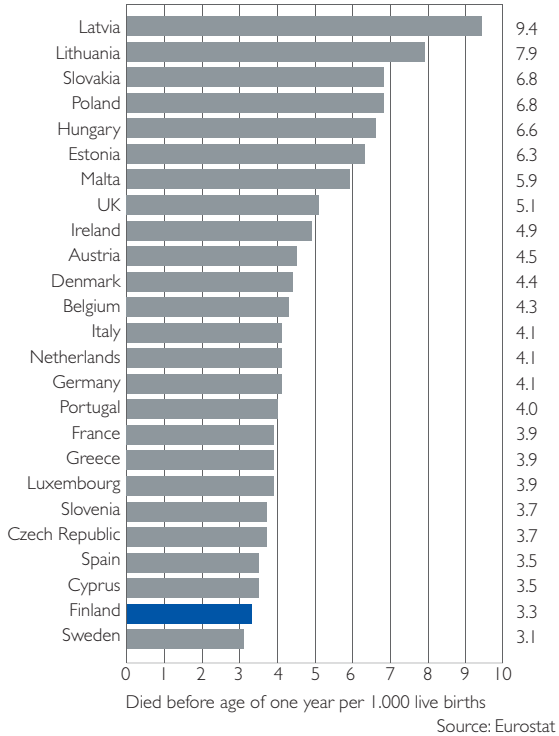
Source: Eurostat

Figure 4.
Life expectancy in EU member states in 2004

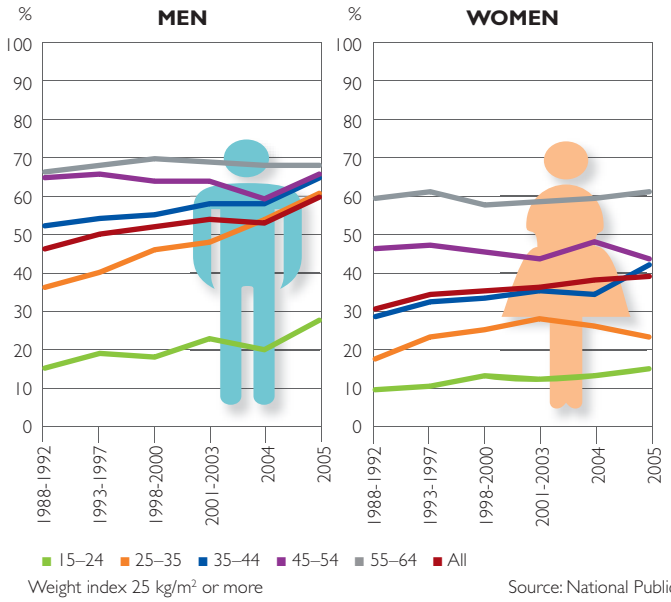


Source: Eurostat

Figure 5.
Infant mortality in EU member states in 2004



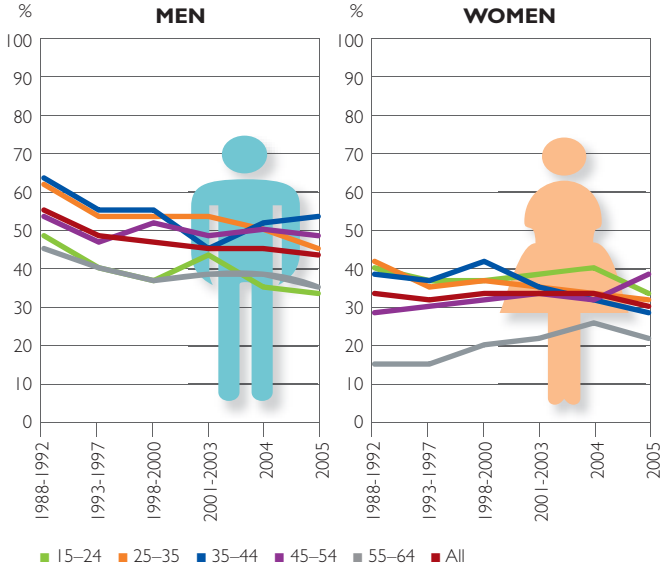
Source: Eurostat



Weight index 25 kg/m² or more

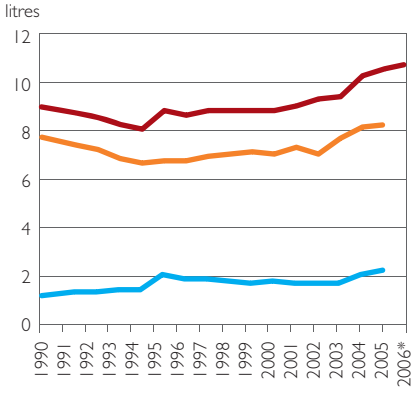
Source: National Public Health Institute

Figure 6.
Percentage of overweight people by age group, 1988–2005



Source: National Public Health Institute

Figure 7.
Percentage of smokers by age groups, 1988–2005

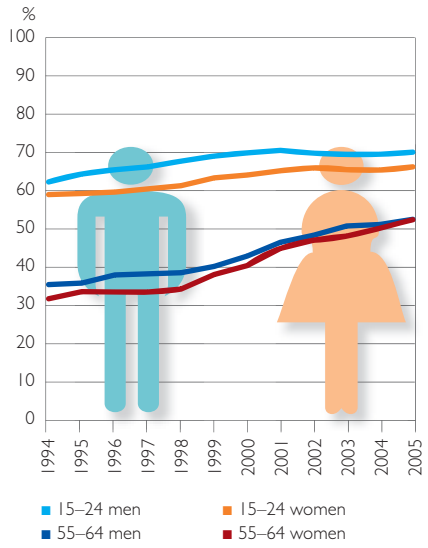


* estimate

Source: Stakes

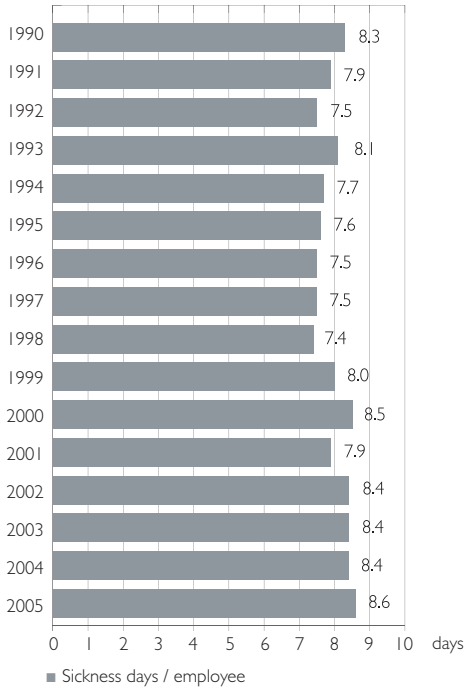
Figure 8.
Total consumption of alcohol, 1990–2006

Figure 9.
The employment rate 1994–2005



Source: Eurostat

Figure 10.
Absences from work due to sickness 1990–2005



Source: Statistics Finland

Table 2.

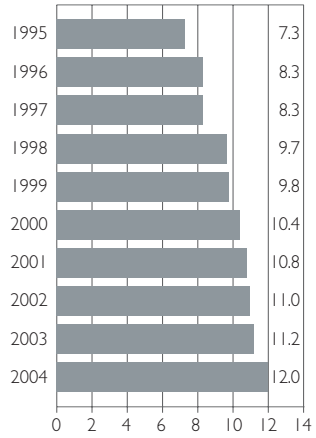
Developments in working conditions 1996–2005

	1996	2001	2003	2004	2005*
Compensated workplace accidents in millions of working hours, all professionals	30	30	29	28	29
Workplace deaths	47	44	41	40	60
Deaths during travel to and from work	24	42	22	20	30
Compensated occupational diseases	6 399	4 836	4 816	4 826	4 800

* estimate

Source: Federation of Accident Insurance Institutions: statistics on injuries at work and occupational diseases

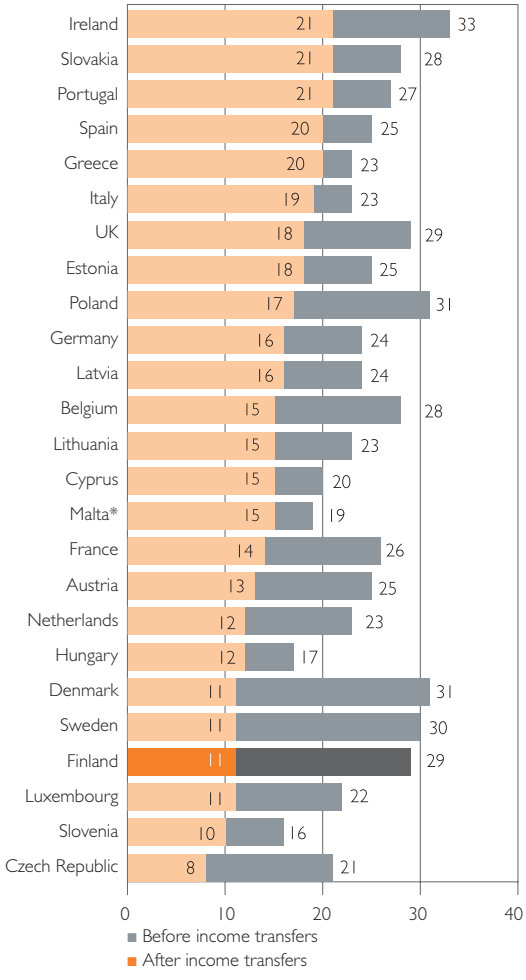
Figure 11.
Poverty rate in Finland 1995–2004



Share of persons whose income is below 60 % of median income

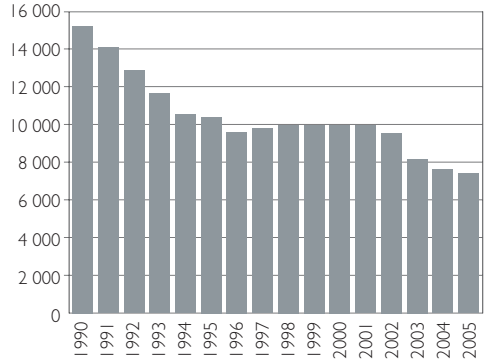
Source: Statistics Finland

Figure 12.
The poverty rate in EU member states before and after income transfers in 2003



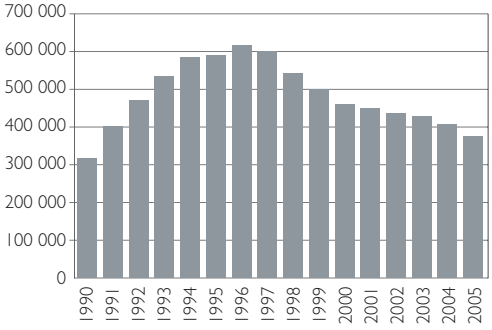
Pensions not included in income transfers * 2000
Source: Eurostat

Figure 13.
The number of homeless people 1990–2005



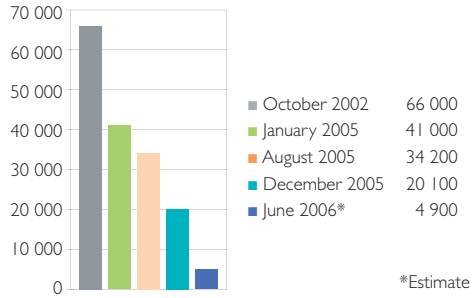
Source: Housing fund of Finland

Figure 14.
Recipients of social assistance 1990–2005



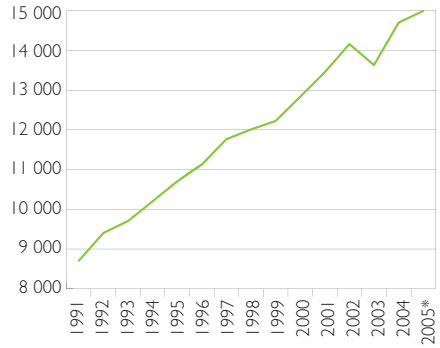
Source: Stakes

Figure 15.
No. of people who waited over 6 months for hospital care 2002–2006



*Estimate
Source:
Ministry of Social Affairs and Health

Figure 17.
Children and young people placed outside the home 1991–2005



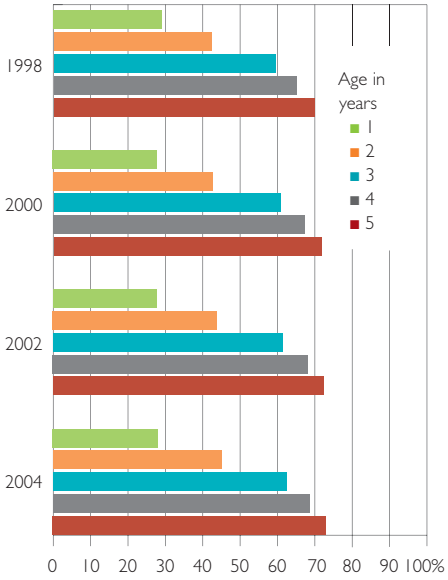
*estimate
Source: Stakes

Table 3.
Municipal social welfare and health care staff

	1990	2000	2004
Social welfare in total	79 100	89 600	91 260
Child daycare	38 800	47 100	46 020
Inpatient care of older people	17 500	17 400	18 160
Home help service	11 400	12 800	13 230
Health care in total	110 300	109 900	117 240
Primary health care	45 900	46 900	49 190
Specialized medical care	64 300	63 000	68 040
Administration	11 900	12 400	14 430
Social welfare and health care in total	202 700	212 900	224 080

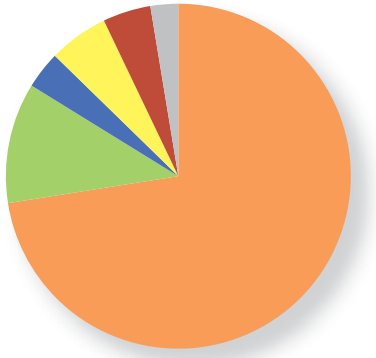
Source: Stakes

Figure 16.
Percentage of Children aged 1–5 in daycare 1998–2004



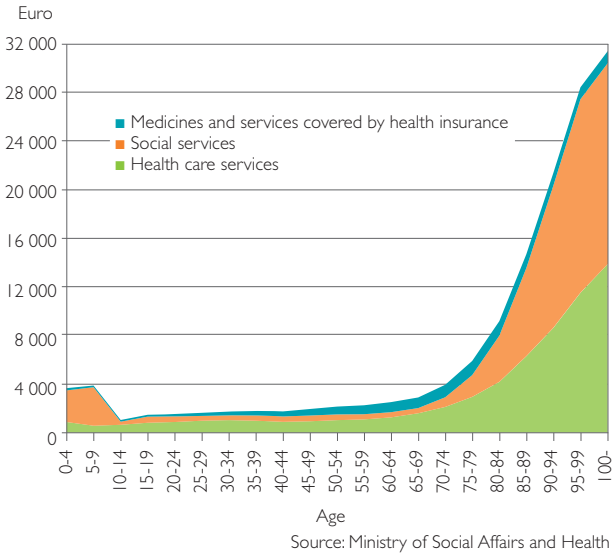
Including children cared for with private day care allowance

Figure 18.
Housing and services for people over the age of 75 in 2004



At home without regular services 72.5 %
At home and receive home services or nursing care regulary 11.3 %
Cared at home by informal care allowance 3.5 %
In service housing 5.6 %
In old people´s homes 4.5 %
Receive long-term care in health centre ward 2.6 %

Source: Stakes



Source: Ministry of Social Affairs and Health

Figure 19.
Social and health care expenditure by age group according to benefit in 2004, €/person

Strenghts and weaknesses of the present system

	Strengths	Weaknesses
Development of living conditions	■ Social stability ■ Internationally low number of poor people ■ General improvement in public health ■ Higher life expectancy	■ Growing income differences ■ Long-term dependency on benefits ■ Danger of social exclusion for risk groups ■ Health differences between population groups ■ Increased obesity ■ Growing regional differences ■ High death rate from accidents and injuries ■ Growing alcohol and drug problems
Operating policy	■ Social protection system enjoys public support ■ System has advanced equal participation of men and women in working life ■ Relatively strong progressive income redistribution ■ Services readily accessible and comprehensive ■ High level of occupational health and safety and occupational health care ■ Social partners involved in preparing reforms	■ Tendency to early retirement ■ High tax wedge ■ Problems of access and quality in welfare services for older people ■ Bottlenecks in access to social welfare and health care services for special groups (child welfare, mental health, substance abuse, people with disabilities) ■ Major regional differences in access to services and treatment practices
Functionality of the system	■ Reasonable level of income and services guaranteed when people are most vulnerable ■ Well-educated social welfare and health care staff ■ Reasonable costs for social protection system ■ The financing for social protection expenditure has improved in the long term ■ Stabilizing effect of the partially funded pensions system	■ Incentive problems in the income transfer system ■ Low supply of preventive services ■ Service users have little influence ■ Multiplicity of financing sources for services ■ Poor transparency of financing ■ System hard to steer ■ Shortage of staff in the social welfare and health care sector and under-appreciation for work

5.3 Changes in the operating environment

National solutions relating to systems of social protection are closely linked to social development in the country concerned. Countries can be categorized in different ways according to the ways they organize their social protection services and welfare services in a broader sense. We cannot talk of a uniform European social protection model, as the systems differ in the different countries (benefit levels, qualification criteria, structures, methods of financing). We can, however, talk in terms of common challenges and shared objectives which unite EU member states (e.g. equality and an adequate level of security). The experiences of other countries can be useful in seeking solutions to challenges which have more common than distinguishing features.

The following trends in the economic and social environment bear similarly on Finland and other countries irrespective of their national models of social protection.

Globalization

The vigorous expansion and deregulation of capital and labour markets and international business and trade have stimulated growth in the world economy and led to increases in wealth, if also to increases in regional wealth differences. Globalization, international trade and technological change place new and greater demands on the skills and educational level of the workforce. The trend involves the growth of business chains and networks, a development reflected in the changing rules of the game in working life, and requires more adaptation capacity from businesses and employees' organizations than before. Globalization and economic integration also have considerable implications for public health and general wellbeing. One negative feature of globalization is that it could undermine the capacity of economically weaker countries to manage the process of social and economic development. On the other hand it also holds considerable opportunities that may help improve the rate of development in less developed countries. Globalization is also closely linked with various global problems, including refugeeism and security threats. Increased mobility, rapid access to information and good communications contribute to an increased risk of the spread of illnesses and contagious diseases (pandemics). Development policy decisions in recent years show that there is widespread agreement in principle on topics such as the need for improved control over the process of globalization and the aims of sustainable development, but there is less agreement about the means to be used in order to achieve these. Social protection is a key means to providing security in the changes caused by globalization.

Impact at national level

A number of different assessments have been made of the effects internationalization will have on the operation of national labour markets, income distribution and employment and social policy. No clear picture has yet emerged. Deregulation of the capital markets and trade (WTO), tax competition between countries and the ensuing increased importance of tax havens, and the location and investment policies of multinational corporations could lead to increasing international competition in which the importance of social protection is overlooked. Tax competition between different countries will also have implications for the financing of social protection. International treaties change the scope for national guidance and control over business operations. At the same time as the national regulations on business operations are dismantled, new needs for regulation emerge, e.g. concerning compliance with and supervision of competition legislation. The impact of international decisions on Finnish social welfare and health care policy must be constantly assessed. The services needed by the immigrant population are also the responsibility of the social welfare and health care services. In terms of social welfare and health care policy, it is important to seek functioning cooperation models for promoting sustainable development in organizations such as the United Nations and its various organs. Close cooperation between ministries and various other authorities is needed in order to harmonize views on policy and to anticipate impacts.

European integration

The European Union in 2006 constitutes an internal market of 25 countries and 450 million citizens, in which obstacles to the free movement of goods, services, labour and capital have been minimized. Enlargement has increased the population of the European Union by 20 per cent but only raised its GDP by 4.5 per cent. There are considerable differences in social situation between most of the 15 old member states and the new member states, something that brings new challenges for European solidarity and the setting of targets. The monetary union of 12 countries will probably be extended further during the course of the present decade. The Treaty of Amsterdam and the Treaty of Nice serve to strengthen the social dimension of the EU. The gathering together of the fundamental rights of citizens into the EU Charter of Fundamental Rights (2000) has strengthened the political nature of the Union. EU enlargement has given rise to debate about the limits for future enlargement. The discussion about the European Constitutional Treaty and its true nature continues. In terms of social policy, the proposed Constitutional Treaty opens up new scope for controlling the integration process.

The European Union has considerable authority in some sub-fields of social protection. In the field of health care, this authority extends to, e.g. medicines and medical devices, recognition of the professional competence of health care staff, cooperation in public health including work to fend of health hazards, and cooperation in environmental health, food safety and drugs. As a result of case law from the European Court of Justice, its authority has also extended to health care services, for which EU sectoral regulations are to be expected in the next few years. EU authority is also extensive in areas such as occupational health and safety, social security for mobile workers (coordination of social security) and equality between the sexes. The emphasis of reform is on developing various mainstreaming principles and protective provisions and on reinforcing citizens' rights. Themes involving social development and good governance hold a more central position than hitherto in the external relations of the European Union.

Impact at national level

Membership of the Economic and Monetary Union has brought stability to the Finnish economy. A key challenge is the changes on the monetary and interest market arising from the deficits of certain member states, something that may raise the interest level in Finland. In addition to this, Finland should still prepare for any asymmetrical shocks that may result from the uneven economic development within the Union through measures such as buffer funds. The European Union's influence over social protection in its member states — including Finland — has grown. As a result, the issue of the significance of the principles of subsidiarity and proportionality in defining the division of labour between different administrative levels has taken on more importance. So far, Finland has been able to protect its main national interests linked with the structure of social protection in this integration process. Future challenges include the position of national monopolies, coordination of the common market, competition legislation and social protection, and the guidelines to be set out for certain common European processes and their implementation. The social policy programme for 2005-2010 emphasizes cooperation on the Union level in, for example, the reform of social protection systems. Pressures for tax harmonization could affect the financing of social protection.

Demographic changes

Growing life expectancy and lower birth rates will cause the population to age rapidly in all industrialized countries in the coming decades. This change is particularly great in Japan and China, but it is also felt in Europe. Life expectancy in terms of years of healthy life is growing and the number of older people is also growing. At the same time, the number of children and people of working age are falling. 12 million people will retire from the labour market of the European Union by 2025. The population of Europe is also threatening to diminish as a whole, leaving the Union without a driving force for population growth. Immigration can only partially compensate for this demographic trend.

The ageing of the population is a challenge and an opportunity. If we do not respond to this challenge, it will have considerable social and economic effects. It will cause a rise in public spending, while also undermining the growth potential of the economy. On the other hand, it brings people the opportunity to enjoy a longer and healthier life if some of that increased lifespan can be used for a longer career at work to help finance the growing expenditure.

Family structures are changing, too. The divorce rate and the number of reconstituted families will grow and the meaning of the traditional nuclear family is changing. Women are increasingly going out to work. One-person households are on the increase both among young people and older people. These changes will increase the need for children's day care and care services for older people. As life expectancy grows, the lifestyle, time use and role of retired people will change in society.

Impact at national level

Viewed internationally, the ageing of the population is particularly rapid in Finland. Finland has one of the highest birth rates in Europe (total fertility rate 1.8 in 2005), but it is still below the level needed for regeneration. The focus of the age structure begins to fall in the older age groups and the percentage of very old people grows. In 2005-2015, the number of children under the age of 15 will fall by about 36,000 while the number of people over the age of 85 will grow by the same number. In 2015, there will be almost 270,000 more people over the age of 65. By 2020, one in four Finns will be 65 or over. The percentage of people of working age will begin to fall in the early 2010s. The fall in the native population means that foreign labour will be needed.

As the number of pensioners and the time people spend on a pension grow, the growth of pension expenditure will accelerate in the 2010s. Sustainable financing of pension systems will be at risk unless the retirement age can be raised. The need for social welfare and health care services will also grow. It will not grow at the same rate as the older population, as the health and functional capacity of the population are constantly improving and elderly people live to be older than before and still healthy and independent. The need for care will rise most steeply after 2020, by which time there are a lot of very old people. Demographic factors explain most of the increase in the need for long-term care. Health care expenditure will grow as the age structure changes, even if most of the change in health care expenditure is caused by other factors.

Technological development

The technological revolution has raised productivity to new heights. This has been matched by a reduction in low-paid, low-productivity jobs in industry. These have been replaced by new jobs in new sectors, including the service sector. In the next ten years, growth will probably be strongest in information services, knowledge-intensive industries, Internet trading and other services.

The most visible aspect of the technological revolution, the still-developing information technology, will necessitate changes in education, working practices and organization, and management procedures. Application of the new technology in the social welfare and health care sector is gathering pace. However, the growing pace of change is threatening to leave some people behind and exclude them from development. The revolution in the labour market caused by the new technology could increase the need for social protection.

Impact at national level

Finland's success in the development and use of the new technologies has contributed to the increase in prosperity. The latest information and communications technology is also becoming a standard feature of the social welfare and health care sector, and above all in health promotion. The ability to use information technology is one of the key skills requirements in most occupations. The free movement of people, goods and services across borders is also creating a need for international coordination and the compatibility of information technology applications, for instance when it comes to social protection services or the sale and advertising of medicines. The new technology will be able to help older people and the chronically ill to manage in their own homes and provide support in organizing services in sparsely populated areas.

Changes in working life and the work environment

Companies operating on a global market are characterized by a focus on corporate core competence, outsourcing of other functions, knowledge-intensiveness and a strong drive to cut labour costs. Production-related decisions are now made on the basis of short-term production and profit figures to a greater extent than before, and this requires more flexible modes of operation from companies. There is a tendency to reorganize personnel and other resources according to the market situation and there are frequent changes in organizational structures, which in turn mean that the workforce is evaluated and selected to a greater extent than before. On the other hand, technological advances have brought improved opportunities for creating a working environment that supports wellbeing at work.

Workplaces operating on the domestic market or, particularly, the public sector are often understaffed for the workload, demands for productivity rise steeply and management methods are not always up to date. These workplaces, too, are now operating in a globally networked system to an increasing extent. This demands new working methods from employees and also an awareness of other cultures. On the other hand, these organizations are slow to change and operations can be predicted much more accurately than in faster-changing workplaces.

Impact at national level

The demand for labour focuses on highly educated labour. This is due to the demands for constant improvement of productivity and quality that focus on the workforce, together with the demand for increased flexibility. As a result, the internal divisions on the labour market have deepened: in many sectors, the demand for labour exceeds supply while long-term unemployment remains high. The social welfare and health care services also face new challenges: work that is physically heavy and psychologically stressful, a growing threat of violence at work, extra shifts caused by labour shortages and low pay. Labour shortages have increasingly been compensated with foreign employees.

Feelings of time-related stress on the labour market have generally fallen and psychological stress has not increased according to statistics. Diagnosed occupational diseases, the frequency of injuries at work and fatal injuries at work have all fallen. However, injuries at work have not fallen enough to reach the aims set. The numbers of disability pensions due to musculoskeletal diseases have grown, but the number of people who retire on disability pensions due to mental health problems has begun to fall. Sick leave from work has remained at about the same level for the past two decades.

Future challenges include keeping the workforce willing and able to work for as long as possible, raising the employment rate and integrating foreign labour into working life in Finland. There will be more emphasis on the expertise and productivity of the workforce and its well-being and ability to cope, and also on the ability to flexibly adapt to new demands created by changes in working life and in society at large. As the workforce ages, age management will become more important. More attention must also be given to the reconciliation of work and family life.

The work contracts and working conditions of foreign workers must also be supervised in order to prevent imbalance on the labour market.

Employment

The structural change caused by economic globalization and rapid technological advances and the ageing of the population all have an impact on all industrialized nations. In Europe, the specific challenges include structural change caused by eastern enlargement of the EU, the challenges of the Economic and Monetary Union for labour policy and high unemployment. Jobs are created and jobs disappear constantly, but the supply and demand for labour cannot always be matched. The most difficult question for the social protection systems is the structure of unemployment; almost half of the unemployed in Europe have been unemployed for over a year. The total employment rate (EU25) has remained at about 63 per cent for some time now, despite the fact that the employment rates of women and ageing employees have constantly improved. As the working-age population diminishes, the member states face the common challenge of using their existing labour resources more efficiently. The most crucial questions for securing the welfare society and the sustainability of its funding are the employment rate and the productivity of work.

Labour has become more mobile, moving from one country to another. Typically, it is people with special skills and people with little training that move around. The key factors in competing for skilled labour are interesting and challenging work environments, good public services, basic security and a society that supports expertise and creativity.

Impact at national level

The challenges arising from the changing age structure of the population will be visible first in the labour market in Finland. Until now, economic growth has been able to rely on a growing workforce and new employees who have just acquired their occupational skills. As of 2003, the age group entering working age (15-24-year-olds) has been smaller than the age group retiring from the labour market (55-64-year-olds). The supply of labour begins to fall in these next few years. This limits the potential for economic growth and the funding base of the welfare system.

The employment trend has accelerated as of the end of 2004. In 2005, the unemployment rate fell to 8.4 per cent and the employment rate rose to 68 per cent. Particularly the employment rate of employees over the age of 55 has improved faster in Finland than in the other EU member states, growing 14 per cent in 1997-2005. It will be even more of a challenge to raise the employment rate as the population ages. In order to attain the aim of a 75 per cent employment rate, people must work longer, both in terms of starting work earlier in life and continuing to work for longer, and more foreign workers are needed. Action is also still needed to reduce structural unemployment and improve the functioning of the labour market. The importance of education and training, the attractiveness of work, work ability and rehabilitation are highlighted on the labour market, and the coordination of work and family life is also important. It is a particular challenge to encourage ageing workers to stay on at work, and this requires care for wellbeing at work and adjustment of work assignments and the working environment.

The need for labour will grow in the social welfare and health care sector in the next few years, because the average age of the present employees in the sector is higher than in many other sectors. New staff will also be needed as the need for care is growing. It is of key importance to recruit highly skilled and motivated staff for the social welfare and health care services.

Poverty and social exclusion

A considerable proportion of the world's people live below the poverty line. Reducing poverty is one of the greatest challenges facing the UN. The main criterion for gauging poverty is income. Social exclusion is a process in which progressive estrangement from what is considered a normal way of life happens simultaneously on several different dimensions of wellbeing.

The largest single cause of poverty is unemployment, behind which lies a complex chain of causes. Poverty reinforces social exclusion. Providing employment opportunities for the unemployed is the most effective, if not the only, way to reduce poverty. The EU has set the objective of reducing the number of people living below the poverty line from the present 15 per cent to 10 per cent by 2010. The aim is to reduce the number of children living in poverty by half. Poverty rate differences between EU member states have fallen since 1995. In the Nordic countries, this change has meant a slight rise in the percentage of the poor.

Impact at national level

The recession of the 1990s made the problem of poverty and social exclusion a prominent feature of Finnish society. The scale of the problem was entirely new. This new poverty was in most cases the result of unemployment and/or overindebtedness. The poverty rate in Finland is nevertheless among the lowest in the world. Economic growth has now eased the situation somewhat, but there are still around 70,000 long-term unemployed. The numbers receiving social assistance began to come down at the end of the 1990s, but the individual periods on assistance are still long. The poverty risk among the long-term unemployed is greater than it was. Since the end of the recession, poverty has not so much grown as deepened. Today, an increasing number of single parents are among the relatively poor.

The four pillars of the Nordic model of social protection — earnings-related benefits, basic security for all, special income transfers for people on low incomes, and equal access to welfare services irrespective of personal wealth, gender or place of residence — will continue to form the foundation for work to combat poverty and social exclusion. However, there will also be a need for special measures if we are to keep these problems from getting out of hand. Cooperation within the European Union emphasizes programme-type solutions for combating poverty and exclusion. The next few years will show whether we can deal with the problem of poverty and social exclusion using the universal approach traditional to Nordic policy, or whether Finland will have to follow the example of some other countries by moving more in the direction of programme-type solutions.

Public health and the human environment

The health of the world's population has improved and average life expectancy has risen. Even so, the improvement is unequally distributed and life expectancy in certain areas, for example Africa and eastern Europe, has actually fallen in recent years. The future trend in public health will be affected negatively by poverty, war, the ageing of the population, the spread of HIV, and the increasing prevalence of unhealthy eating habits, smoking and alcohol and drug abuse. Chronic diseases such as cardiovascular diseases and occupational diseases and injuries are significant causes of mortality and morbidity, and are still on the increase, especially in the developing countries. Over the next few decades, smoking will become the world's biggest single cause of death and sickness. European challenges in the area of health policy are related to the ageing of the population and issues in the peripheral areas of the EU, including managing social change plus the issues of social exclusion, environmental health, consumer safety and the growing role of the markets.

Environmental health is an aspect of public health work which aims to improve the health of the population, prevent environmental threats to health and remove already established threats. The ageing of the population, the spread of mass catering and increasing international trade in foodstuffs all pose new threats to the safety of our food. The main focus of foodstuffs supervision lies in preventing serious threats to public health. Particularly important in this respect are the monitoring of illness caused by foodstuffs and drinking water, and assessing the risks from chemicals and gene technology.

Impact at national level

Important questions in the immediate future will include the higher mortality rate among men and the major health differences between different sectors of the population, accidental and violent deaths among young men, wide-spread chronic diseases which worsen with age, mental health problems, functional capacity among older people, new health threats facing children and young people, and psychosocial security. People's health awareness is improving, but on the other hand there are wide-spread health risks such as smoking, alcohol, lack of exercise, unhealthy eating habits and factors that undermine mental health.

A growing number of decisions which affect the health of Finns are taken at European Union level, in neighbouring area cooperation and in other international cooperation, and national health policy is therefore no longer enough. An effective response to the health challenges brought by economic and technological globalization will necessarily involve international cooperation.

The most common environmentally mediated diseases include epidemics caused by contaminated water and food and respiratory diseases caused by impurities in indoor and outdoor air. Important health problems caused by the quality of indoor air include lung cancer caused by radon, health problems associated with passive smoking and allergies caused by mould and fungal growth in damp houses.

Public finances

The world economy is growing rapidly but unevenly. Economic growth is fastest in Asia and the economic value of China and India is growing. Growth is also rather rapid in the USA and Russia. The growth in these countries compensates for the slow growth of Finland's traditional western European trading partners, although the outlook has improved in the euro zone, too, as a result of domestic demand. Political and economic instability in certain countries is a source of uncertainty, however. The biggest risks of the international economy are linked with the price trends in oil, the 'twin deficit' of the US economy and the sustainability of economic growth in China.

Impact at national level

Economic growth in Finland continues to be faster than in the other EU member states. The outlook for the next few years is also promising. Many international comparisons have also found the Finnish economy to be competitive. The real income level per capita is higher than in the EU15 on average. By contrast, unemployment remains on a high level. The average growth of GDP at about three per cent is expected to slow to about two per cent by the end of this decade. This slowdown will be caused particularly by the shrinking workforce and the limited investment in production capacity in recent years. After 2015, the growth in GDP will be dependent on productivity growth.

In comparison to other developed countries the outlook for public finances is relatively favourable, but in the long term the pressures on public finances will continue to rise as a result of population ageing and the decline in labour force. The State economy is predicted to show a slight deficit. The serious financing deficit in the municipal economy is expected to be remedied slowly.

In 2005, Finnish social protection expenditure as a proportion of GDP was about 27 per cent, which is close to the average for EU member states. Public spending related to the ageing population will begin to grow at the end of the 2010s, even if more rapid growth in this area will only come later. The decline in the working-age population will however mean weaker prerequisites for economic growth and public finances in the next few years. The financing outlook is eased in part by the partial funding of earnings-related pensions, pension reforms and improved health of the population. Sustainable funding for the public finances will in future vitally depend on longer working careers, continued public health improvement and efficient production of social welfare and health care services.

Regional development, urbanization

The world's population is becoming more and more concentrated in the cities, with most growth taking place in the largest urban centres, the megalopolises. Regional development has been very uneven. The uncontrolled growth of the cities is also exacerbating other social problems: slums, crime, drug abuse, social exclusion and health problems. Peripheral areas are losing their ability to provide employment, with the result that the population may end up concentrated in just a few areas with sufficient growth potential. Within the EU, the structural funds have been used to even out regional differences in development. EU enlargement has brought bigger regional differences between the Union's member states; in the new member states and the new candidate states, agriculture is clearly more important than in the EU15. Regional differences contribute to migration and workforce mobility between member states.

Impact at national level

There has been much internal migration within Finland. In 2005, there was a record number of recorded removals between municipalities, about 290,000. Finland in the early 2000s is more regionally centralized than before, but it is possible that the number of successful regions includes more than just the 5-6 biggest growth centres. The Helsinki metropolitan area and the biggest regional centres have the best development profile. Many urban areas and local areas with special expertise also have the potential for success. On the other hand, the dividing line for regional development lies between big and small urban areas and between rural districts near towns and the deep countryside.

The need for welfare services develops differently in different municipalities, and so do the income bases of the municipalities. There are considerable regional differences in the age structure. The availability of services is at risk especially in rural areas experiencing a net loss of population, where there is a high proportion of older people and a high demand for care services while municipal finances are undermined and there is a shortage of staff in the health care sector due to working-age people moving away from the area. Meanwhile, there are many older people and children in the growth centres of southern and western Finland. Because there are also high numbers of people in work, the cost burden per person of working age rises less steeply here than in areas experiencing a net loss of population. The process of organizing comprehensive social welfare and health care services in the different parts of the country is a demanding task. It requires new organization models for services, bigger population bases for service provision and more extensive regional cooperation than at present.

Changes in values

Opinion polls show that Finnish people approve of the way social protection is organized at present. Support has clearly risen since the early 1990s and citizens have a high level of confidence in social protection. A growing percentage of Finns feel, however, that the level of social protection is too low. Furthermore, Finns feel that the differences between the rich and poor are too big, something that indicates a willingness to support redistribution with the aid of social policy. On the other hand, Finns have a very positive attitude even to considerable changes in service production, for instance, augmentation of the role of private services.

As prosperity, value differences and multiculturalism grow, there may be more different views about social protection. More individualized choices could be seen as the result of the weakening of traditional institutions such as the church, State, local community and family. Values become relative, and a uniformity of values is no longer regarded as desirable. As the role of the traditional institutions that once guided and supported people's value choices weakens, this creates a space for commercialism and market influences to establish themselves as factors that influence choice.

A differentiated trend in values can, if it continues, undermine the foundation of local or national solidarity and social protection. Certain fundamental values such as other people's welfare and personal and national security continue to be important to a majority of Finns, however.

Cultural and religious tolerance and awareness of cultural differences have improved. At the same time, disapproval of people who do not accept multiculturalism and promote their own values has become more widespread. Finnish people's attitudes toward immigrants have become more favourable since the recession in the early 1990s.

5.4 *Trends in social protection expenditure under current legislation*

Demand for social protection and the basis for providing it are most affected by developments in the population structure, the functioning of the economy, and the employment situation.

Trends in the economic dependency ratio

The future of the economic dependency ratio will be the most significant challenge for the economics of social protection in the coming decades. This ratio tells us how many people's livelihood depends on the working output of a single employee. The falling employment rate and widespread unemployment in the early 1990s reduced the ratio. The resulting pressures on the income security system are reflected by the fact that, since the 1990s, nearly every person over 18 who is not gainfully employed has been entitled to some kind of benefit to secure them an income.

The economic dependency ratio is influenced by developments in the age structure. Demographic prognoses warn that the percentage of older people will rise rapidly after 2010 as the baby-boom generation retires and people live longer. The percentage of children is expected to remain stable in future decades, but at a rather low level. The dependency ratio is thus likely to deteriorate still further despite the expected reduction in unemployment.

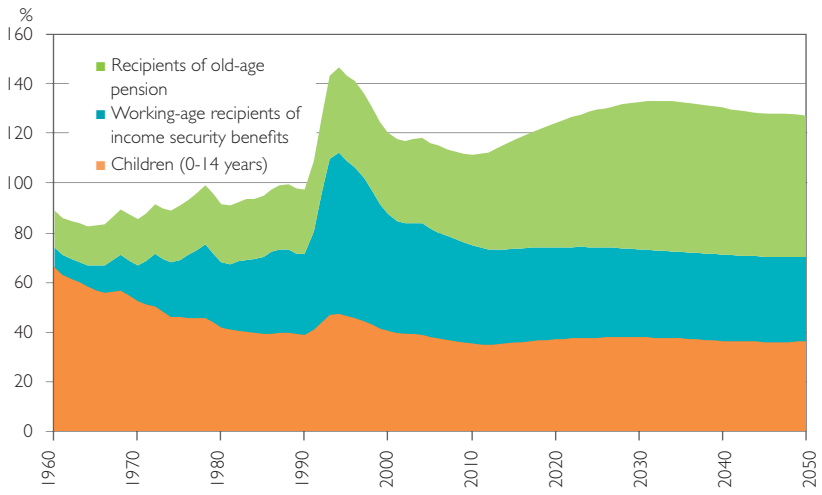


Figure 20.
Economic dependency ratio trend in 1960–2004 and projection up to 2050.

Source: Ministry of Social Affairs and Health

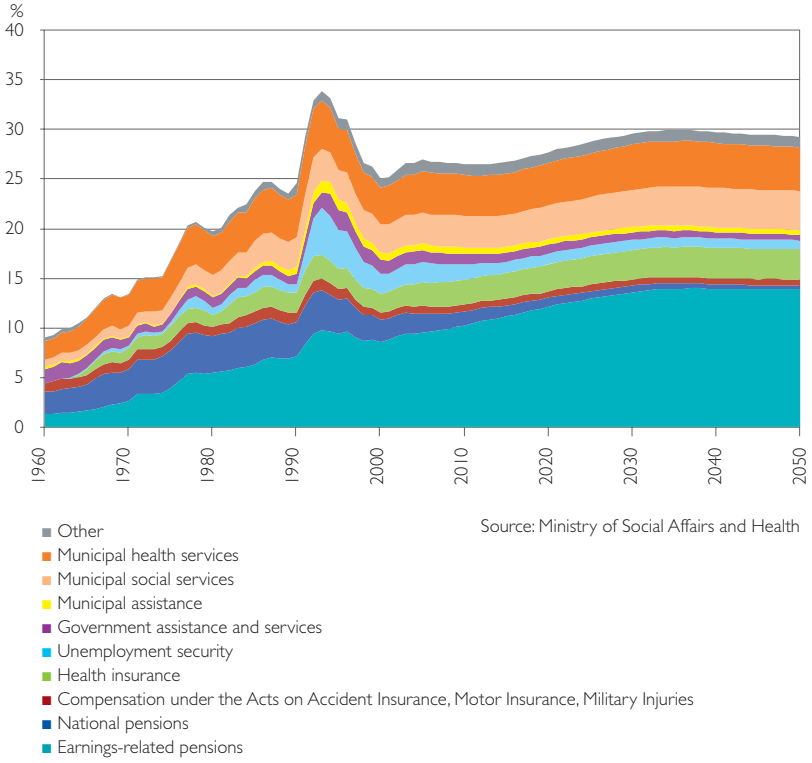
Trends in social protection expenditure under the legislation now in force

The assessment in the basic scenario is based on expenditure trends under current legislation. The basic budget assumption for expenditure is a slowdown in productivity growth from 2.2 per cent to 1.75 per cent, i.e. an annual average of 1.9 per cent. The assumption for GDP volume growth is an average of 1.8 per cent a year. The unemployment rate is expected to fall to 5 per cent in the 2010s and to remain at this level up to the end of the prognosis period.

The mass unemployment and GDP collapse of the early 1990s brought a sharp increase in the ratio of social expenditure to GDP. Though economic revival has rapidly corrected this situation, things will deteriorate again when the baby-boom generation retires.

The ratio of income security expenditure to GDP, as of all social expenditure, indeed, will not rise significantly by 2015. The proportion of earnings-related pension expenditure will increase, but will be offset almost completely by a fall in the percentages of GDP accounted for by national pension, unemployment security, earned income insurance and other income security costs. Even so, social expenditure has already started to rise, and the pace will pick up towards 2030. The overall increase will be around three percentage points relative to GDP. This is roughly double the equivalent figure for total earnings. Action to restrain rising costs must be taken soon if it is to take effect before 2015.

Figure 21.
Trend in social expenditure (excluding user charges) relative to GDP in 1960–2004 and projection up to 2050

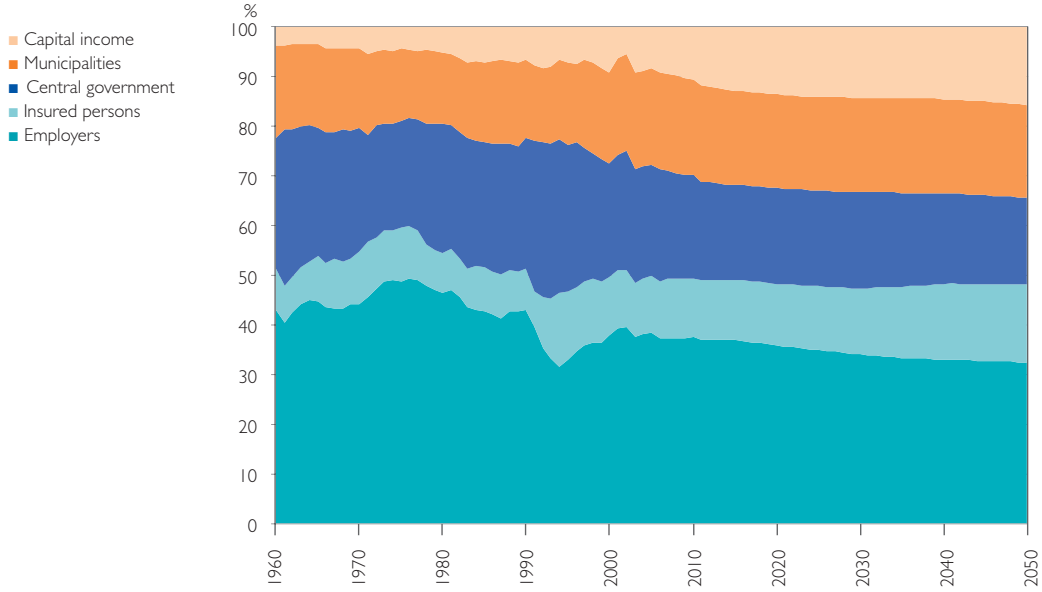


Source: Ministry of Social Affairs and Health

Future trends in financing social expenditure

The biggest change in the financing of social expenditure will affect the contribution made by those insured. By contrast, the contribution made by employers will fall to some extent. The contributions of both local and central government will remain fairly stable. Central government's contribution has already fallen conspicuously on the 1990 level. On the other hand, the contribution made by the return on pension funds is increasing. These funds' policy in the coming years will have a significant effect on the level of earnings-related pension premiums.

Figure 22.
Financing structure of social expenditure in 1960–2004 and projection up to 2050, %



Source: Ministry of Social Affairs and Health

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